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THE  
CANADIAN CHARTERED  
ACCOUNTANT

INDEX

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VOLUME X.

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1920 - 1921

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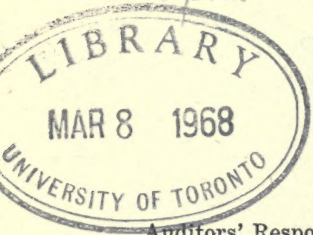
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THE CANADIAN CHARTERED ACCOUNTANT.

VOLUME X. 1920-21.

INDEX



	PAGE
Auditors' Responsibility in Regard to Verification of Inventories	
Edward H. Moreau	185
Auditing .....	W. H. Henderson, C.A. 102
Balance Sheet, Criticism of .....	18
Bankruptcy Act, The .....	G. T. Clarkson, F.C.A. 154
Bankruptcy Act, The New .....	22
Bankruptcy Act, The Dominion .....	Osler Wade, F.C.A. 234
Business Investigations .....	Geo. Edwards, F.C.A. 254
Business Profits War Tax Act, Amendment .....	42
Canadian Society of Cost Accountants .....	31, 116
Dominion Association of Chartered Accountants:—	
Annual Meeting Programme, 1920 .....	3
Constituent Societies' Reports .....	82
Convention, Toronto, 1920 .....	75
Officers, Council and Members .....	58, 138, 210, 285
President's Address .....	77
President's New Year's Message .....	153
Uniformity of Standards, Report .....	96
Editorial, Notes, Etc.:—	
Announcement .....	203
Bankruptcy Act, The New .....	44, 132
Business Profits War Tax Act .....	203



# THE CANADIAN CHARTERED ACCOUNTANT

---

	PAGE
Canadian Industries .....	204
Communications .....	47, 132, 277
Cost Accountants' Society .....	45
Dividend Ruling .....	203
Dominion Association Convention, 1921 .....	274
Dominion Balance Sheet .....	275
Dominion Corporations Not Amenable, etc. ....	275
Esquire .....	206
Excise Tax Licenses .....	131
Income and Business Profits .....	44, 131, 274
Income Tax Tables .....	132
Income War Tax Act .....	204
Institute of Company Secretaries .....	45
Landlord's Claim First .....	276
No Fools in Paradise .....	205
Personals .....	45, 133, 206, 278
Proposed Public Audit of Banks, Great Britain .....	275
Publication Notice .....	131, 274
War Financing .....	204
Women Not To Be Admitted .....	276
Financial Statements, Analysis of .....	Paul Havener, C.P.A. 5
History of Accounting, Auditing, etc. ..	J. Hayden Young, C.A. 225
Honour Roll, The Great War .....	2
Income, What is? .....	27
Income War Tax Act, Amendment .....	35
Income War Tax Act, Summary .....	123, 195, 266
Income War Tax Act, Tables .....	124, 196, 267
Information Desired By Bankers .....	Julian H. Hill 174
Institute of Chartered Accountants of Ontario Announcement	184
Just Every Day Efficiency .....	119

	PAGE
Municipal Accounting ..... R. J. Ritchie Paterson, C.A.	179
Organization .....	121
Provincial Societies, Local News:—	
Alberta .....	54
British Columbia .....	50, 135, 209
Manitoba .....	49, 208, 282
Nova Scotia .....	135
Ontario .....	48, 134, 207, 280
Quebec .....	281
Saskatchewan .....	51, 136, 283
Share in the Profits, A .....	120
System Better Than Rush .....	101
Utopia While You Wait .....	130

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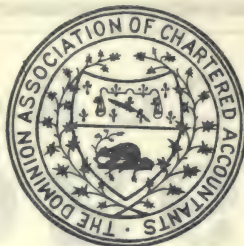
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1914

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## The Dominion Association of Chartered Accountants

IN MEMORY OF THE MEMBERS  
WHO SACRIFICED THEIR LIVES  
IN THE SERVICE OF THEIR  
COUNTRY DURING THE  
GREAT WAR

Quebec . . . . J. H. DAVY

Ontario . . . ARTHUR G. EDDIS  
GEORGE T. PILLOW

Manitoba . . . WILLIAM A. LAKE  
RONALD J. McONIE  
FREDERICK J. WATSON

Nova Scotia . . . POLLOK S. NISBET

British Columbia, RONALD T. TOWNSEND

Saskatchewan . . J. S. HEATHCOTE  
H. FOX



# THE CANADIAN CHARTERED ACCOUNTANT

OFFICIAL ORGAN OF THE  
DOMINION ASSOCIATION OF CHARTERED  
ACCOUNTANTS

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VOL. X. No. 1

JULY, 1920

ISSUE No. 37

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## DOMINION ASSOCIATION CONVENTION

**T**HE Eighteenth Annual Meeting of the Dominion Association of Chartered Accountants will be held in the Canadian Foresters' Hall, 22 College Street, Toronto, on the 14th, 15th, and 16th of September next. Committees have been appointed to arrange the programme of proceedings, and for the reception and entertainment of the delegates and visitors, and an interesting and enjoyable meeting is looked for. Following is a provisional draft of the programme. As soon as the events are definitely fixed a full programme will be mailed direct to each member.

### Provisional Programme

Tuesday, September 14th:—

9.00 a.m. to 10.30 a.m.—Meeting of Council.

10.30 a.m. to 11.30 a.m.—Official Reception.

11.30 a.m. to 1.00 p.m.—President's Address. Appointment of Committees. Reports of Constituent Bodies.

2.30 p.m. to 5.00 p.m.—Paper, "The New Bankruptcy Act," by G. T. Clarkson, F.C.A.

Reports of Constituent Bodies (continued).

General Business.

3.15 p.m. —Motor Drive for the Ladies.

7.30 p.m. —Annual Banquet and Evening Entertainment.

Wednesday, September 15th:—

9.30 a.m. to 1.00 p.m.—Report on Uniformity of Standards and Practice to be presented by Standing Committee.

General Business.

2.30 p.m. to 5.00 p.m.—Toronto Harbour Improvement Trip (if weather unfavorable theatre parties will be substituted).

8.30 p.m. —Inaugural Meeting of the Canadian Society of Cost Accountants.

Thursday, September 16th:—

9.30 a.m. to 12.30 p.m.—Unfinished Business.

12.45 p.m. —President's Luncheon to Members of the Council.

2.30 p.m. —Meeting of Council.

3.00 p.m. —Motor Trip to Burlington or Lake Trip.

At an early date, the Hotels Reservation Committee will send members particulars of the accommodation available, and will be pleased to make reservations as requested. Every member of the Association is urged to make a special endeavour to be present.

ANALYSIS OF FINANCIAL STATEMENTS

—  
BY PAUL HAVENER, C.P.A.  
—

THE credit man of to-day, whether he be commercial banker, investment banker, manufacturer or merchant, in seeking information as to the financial standing of a concern, has many avenues from which he can obtain data. The mercantile agencies, with their investigations and reports, the credit clearing houses, the local credit men's associations, the opinion of those with whom the concern has done business in the past—all these are available. These sources are, however, indirect, and are all based largely upon hearsay and opinion. As to the general reputation of a concern, there is probably no better way of obtaining it, but as to its present financial standing—its ability to pay within sixty days for merchandise—this indirect method is dangerous and obsolete as compared with the concern's own financial statement—provided, of course, that this statement is true, properly prepared and verified. A true statement of a concern, showing on one side all its assets, correctly valued and classified, and on the other all its liabilities similarly treated, both as of a certain date, together with a history of its operations for the preceding periods, is the best means by which to pass judgment on the ability of a concern to meet its obligations at their maturity.

These financial statements are technically known as the balance sheet and the profit and loss statement. A balance sheet is a statement showing on one side all the assets of a concern as of a certain date and on the other side all the liabilities. Custom in this country places the assets on the left-hand side and the liabilities on the right-hand side. The difference between the assets and the liabilities, if the assets exceed the liabilities, is the net worth. In the case of corporations, this net worth, will consist of capital stock, surplus and undivided profits. In partnerships, the net worth will be the capital accounts of the partners, together with any undivided profits. If the liabilities exceed the assets, there is no net worth or capital belonging to the owners left, and the difference represents the amount by which the concern is insolvent. The left-hand side of the balance sheet shows what property the business has and the right-hand side shows to whom this property belongs. The profit and loss statement is an analysis of the operations of the business for a certain period of time, showing the total income and the expenses and losses during the period. It may be said that a balance sheet is a cross-section of a business, showing how it stands at a particular moment of time, and



the profit and loss statement how it arrived at this present position from a previous one.

The assets of a business are of two distinct types—fixed assets and current assets. Both of these can be further divided, but to keep these two kinds of assets always separate is one of the most important things in reading a balance sheet. Fixed assets, also known as permanent assets, invested assets, etc., are those which represent capital sunk into the business, which cannot be converted into cash except upon the liquidation of the business. They are usually such assets as land, buildings, machinery, equipment, furniture and fixtures, patent rights, good-will, etc. These assets are not in the regular course of business convertible into cash, and, therefore, cannot be used to pay the current liabilities of the business. Current assets, also known as liquid assets, floating assets, quick assets, working assets, etc., represent cash and other assets that in the regular course of business will be cash, such as accounts receivable, notes receivable, merchandise on hand, etc. All past due or doubtful current assets should be called slow assets. The purpose of most businesses is to convert current assets into cash as soon as possible. What may be a current asset in one business may be a fixed one in another. A linotype machine in a newspaper office is a fixed asset; in the storeroom or warehouse of a machinery dealer, it is a current asset. A concern may have total assets to the value of several times its liabilities and yet be unable to meet its obligations as they mature. This frequently occurs, and the reason is that current assets are lacking and fixed assets cannot be used to pay bills, and it is a well-known fact that fixed assets, as a general rule, suffer high depreciation when they are converted into cash, seldom realizing their book value.

The liabilities of a business are also of two types, but the distinction is not so great as in the case of assets. The fixed liabilities are obligations which do not mature for several years. They are usually secured by mortgage on the fixed assets, such as mortgage notes, bonds, purchase money obligations, etc. Current liabilities, sometimes called quick liabilities, floating debts, etc., are liabilities which will have to be paid in cash within a short period of time, such as accounts payable, notes payable, pay-rolls, etc.

The difference between the total assets and the total liabilities of any business, as previously mentioned, is the net worth. An analysis of the different classes of assets and liabilities will show clearly where this net worth is invested.

With the balance sheet and profit and loss statement as a whole visualized before us, let us dissect each item therein, as it is only by



## ANALYSIS OF FINANCIAL STATEMENTS

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this process of analysis and critical inspection that we can arrive at a true understanding thereof.

We have before us the balance sheet of A., B. and Company, which is as follows:—

### BALANCE SHEET A., B & COMPANY As of June 30th, 1916 Assets

#### FIXED:

Land and buildings, etc. ....	\$ 50,000.00	
Machinery and equipment .....	75,000.00	
Horses, wagons, etc. ....	5,000.00	
		<hr/>
		\$130,000.00

#### SLOW:

Accounts past due .....	\$ 10,000.00	
Due from officials .....	20,000.00	
		<hr/>
		30,000.00

#### CURRENT:

Cash on hand .....	\$ 21,000.00	
Notes receivable .....	2,000.00	
Accounts receivable .....	175,000.00	
Inventories , .....	75,000.00	
		<hr/>
		273,000.00

#### DEFERRED:

Prepaid insurance and licenses .....	600.00	
		<hr/>

Total assets .....	\$433,600.00
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### Liabilities

#### CURRENT:

Accounts payable .....	\$ 40,000.00	
Notes payable .....	60,000.00	
		<hr/>
Total liabilities .....	\$100,000	

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\$333,600.00

### Net Worth

#### CONSISTING OF:

Capital stock .....	\$200,000.00	
Surplus . ....	83,600.00	
Profit for year .....	50,000.00	
		<hr/>
		\$333,600.00

The fixed assets are \$130,000.00, slow assets \$30,000.00, current assets \$273,000.00, and deferred assets \$600.00, making total assets of \$433,600.00. The total liabilities—all current—are \$100,000.00, leaving a net worth of \$333,600.00. If this statement is correct and shows the true financial position of the company, it is in excellent financial condition, current assets being over two and one-half times current liabilities, and the net worth fully taking care of the entire investment in fixed assets as well as \$173,000.00 of the current assets.

### Fixed Assets

The first item of the fixed assets consists of land and buildings. On this particular item we ask the following question: Are there any liens or mortgages against the real estate and buildings? Many times a concern will have mortgages or purchase money obligations on this item and only show them on the balance sheet at a net value; that is, the value after deducting the liens thereon. This is wrong. These liens or mortgages may fall due within a short period of time, seriously upsetting the relation existing between the current assets and current liabilities.

The next question is the basis of value. Is the land at cost? Is the building at cost, less a reasonable allowance for depreciation? Occasionally concerns, during a bad year's business, revalue their real estate by charging it with arbitrary amounts and crediting profit and loss. Real estate, which is a general term, including both land and buildings, should be valued at the original cost in the case of land, and cost, less reasonable allowance for depreciation, in the case of buildings. Any liens or mortgages thereon should appear among the liabilities of the company.

Does the concern own the land and buildings? Frequently, because these items appear on the books of the company, it is taken for granted that it owns them in fee simple. This is not always the case, and the ownership of this asset can easily be verified by procuring certificate from the local title guarantee company or by examination of the tax receipts. If neither of these be available, a statement can be obtained from a trustworthy attorney, stating that he has examined the deeds and records and found that the real estate belongs to the concern.

The second item in the consideration of fixed assets is usually machinery and equipment. The important thing governing their valuation is depreciation. Depreciation is a general term, and covers the gradual diminishing in value of an asset, whether by wear and tear or by obsolescence. Many failures of concerns with long-established

## ANALYSIS OF FINANCIAL STATEMENTS

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records, which have paid large dividends and big salaries to their stockholders and employees, may be traced to the failure properly to provide for depreciation on the machinery and equipment. The machinery in a factory can become obsolete over night in this age of modern invention. There are numerous instances of cotton mills and fertilizer factories located throughout the south which, during the first years of their existence were financially successful, but put aside no money for depreciation on their plant and equipment, disbursing their excess receipts over apparent expenditures in dividends and salaries. Before they knew it, newer companies were organized with new machinery and equipment which could produce the commodity at a price less than the cost to the old concern. The result was, the old concern would try to meet the competition by selling its product at less than cost, and in a few years had not only consumed all of its net worth, but accumulated large current liabilities, and, in the final day of reckoning, stockholders got nothing and creditors a small percentage of what was due them. Therefore, no matter how prosperous a manufacturing business may be to-day, unless this matter of depreciation is given due consideration, the day of failure is inevitable.

All items, such as furniture and fixtures, automobiles, wagons, horses and mules, should be revalued each year. The rate of depreciation on them varies so much, depending entirely on the use to which they are put, that no fixed rate of depreciation is satisfactory.

Hence, in summarizing, it may be said that tangible fixed assets should appear on the books of the company at cost, less full depreciation. In the case of liens or mortgages thereon, these should be shown among the liabilities and not deducted from the assets. Intangible assets, such as goodwill, patent rights, trade marks, copyrights, franchises and concessions, are not always to be condemned, as in many instances they are assets easily converted into cash. They should always, however, appear on the balance sheet under a separate heading and should not be included with the tangible fixed assets, as they now are by many of our largest corporations, desiring to cover up the so-called water in the capital stock issued.

### Current Assets

The first item of the current assets is usually cash. In more cases than one might suspect, this item is misleading. Banks sometimes ask concerns which are in the habit of overdrawing their accounts to deposit money with them, giving a certificate of deposit therefore. The concern then takes these certificates to other banks



and borrows on them to the full amount of the certificate. I remember an instance which came up a few years ago when called upon to audit a concern whose financial statement, as prepared by its secretary-treasurer, showed over \$55,000.00 cash on hand. This cash on hand consisted of ten \$5,000.00 certificates of deposit, which were used as collateral to a \$50,000.00 loan, and sundry paid bills, post-dated cheques, due bills, and other memorandums in the cash drawer. As a matter of fact, there was not one cent of available cash. Cash on hand should consist of money in the cash drawer, which, except in cases of concerns located in places where there is no bank, should be comparatively small, and of funds in banks subject to cheque and from which all outstanding cheques unpaid have been deducted. Pledged certificates of deposit, miscellaneous paid bills, due bills from officers or employees are not cash items and should never be so called.

In this balance sheet notes receivable appear too small in relation to the other assets, and should lead to inquiry as to whether or not the concern has rediscounted any of its notes. It is customary for a concern to rediscount its customers' paper, and, if it is not paid at maturity, the concern rediscounting has to take it up, so this rediscounted paper is a contingent liability which is liable to become a real one at any moment. A few years ago a large concern in New Orleans had over \$200,000.00 of paper rediscounted which did not appear on their statement, and, in their final liquidation, over 80 per cent. was worthless. The financial statement of a concern should show somewhere the possible liability covering all paper rediscounted. The remaining notes on hand should be due from customers of the company. Notes from officers, employees and stockholders should be shown under a separate heading in the balance sheet. Past due notes and doubtful notes should be put under a separate heading called "Slow Assets."

The thing to ask in connection with accounts receivable is how these accounts were created, whether entirely by legitimate transactions of the company or partly by items due from officers, employees, stockholders or merchandise sent on consignment. If the last be the case, these items should be eliminated and appear elsewhere in the balance sheet. Another important matter is to ascertain whether any accounts have been sold to discount companies or assigned for any reason whatsoever. The practice of companies selling their accounts to discount companies, paying the exorbitant rate of interest of 12 per cent. per annum or over, is one that should be discouraged. It is the custom of many concerns to allow the customer a discount for prompt payment. The reasons for these discounts are not always



financial ones, as many concerns which allow discounts are not borrowers of money at all. The principal reason in allowing a discount is that it closes the business transaction. The customer has his goods, has paid for them, the credit risk has been eliminated, and the money received. When accounts are sold to discount companies, the credit risk has not been eliminated; the business transaction is not closed; nor has the money been received from the customer. Any concern which is in a financial position to sell its accounts to a discount company can as readily obtain money from a bank at a saving of over 50 per cent. in interest charges.

In the auditor's report on the audit of a company, he should state clearly the steps which were taken to verify the open accounts receivable appearing on the books of the company. This can be done by direct communication with the different debtors, and should always be done, as it not only establishes the correctness of this item in the balance sheet beyond any question of a doubt, but brings to the attention of the management of the concern which is being audited all disputed accounts and puts them in line for adjustment. Accounts receivable should appear at their net realizable value. Due care should be taken to see that full provision has been made for all possible deductions, such as freights, returnable packages, rebates, special allowances, etc.

### Inventories

The important things to consider in inquiring into the inventories of a company are the quantities, quality and price at which the inventory was taken, and whether or not there are any liens on any of the inventories or consigned goods included therein. This is probably the easiest part of the balance sheet to state incorrectly, and the only way that you can be sure the inventory appears at the right valuation is to know that it has been thoroughly tested as to quantities, quality, prices, footings and extensions by disinterested outsiders. No merchandise should be included therein except that which is salable, and all merchandise should be priced at cost or market, whichever is lower. When the value of goods is reduced to market value, in many cases a further amount should be deducted to cover cost of selling, etc. A great many auditing firms accept the statements of officers of the company for the inventory. This is wrong. The inventory usually consists of over 60 per cent. of the total current assets, and it is, therefore, one that should be thoroughly verified by the auditors.

### Slow Assets

Under the heading of slow assets should appear all investments which are not readily marketable, advances to subsidiaries, amounts

due from officers and employees, accounts and notes past due. Many times large withdrawals of capital by the officers of the company or proprietors will appear under heading of accounts receivable, and the auditor in examining the books of the company will be met with the argument that they are good. If this is the case, the auditor's only recourse is to show them as slow assets and suggest to the officers of the company if they are good to pay them in full, and the cash will then, of course, appear under current assets. These withdrawals, when secured by stock of the same company, are really unsecured, and such items should be deducted from the capital of the company.

### Deferred Assets

Deferred assets consist principally of prepaid insurance and licenses. It is usually a small item, except in cases of agricultural corporations, which close their books in the middle of a crop season. In many cases, inventories of supplies and materials should be put under this heading. It simply represents expenses prepaid, of which the following operating period will derive the benefit. In comparison with the other assets of the business deferred assets should be relatively small.

### Current Liabilities

In regard to the liabilities of the business, the first item is usually accounts payable. Accounts payable which are secured should be shown under a separate heading. This is an item which is readily manipulated and liable at all times to be under-stated. In auditing the affairs of a concern it is one of the most difficult items to verify. The only way in which it can be done is by carefully examining all the assets, seeing from whom they were acquired, and then sending out letters to the different suppliers, asking for statements of account. I remember an instance, when called upon by the creditors to examine the condition of a company whose statement was handed to me, showing accounts payable of about \$5,000. For the nature of the business it looked out of proportion. A careful inspection was made of the stock of merchandise on hand, ascertaining the suppliers of all large quantities, and letters were sent to them, requesting statements of account. When these statements were received and checked up it was found that the accounts payable were nearer \$75,000.00 than \$5,000.00.

Notes payable, like accounts payable, can be easily under-stated. In the balance sheet or auditor's report it is best that notes payable



to banks, to note brokers and to other creditors be shown separately. An important matter in examining this item is to ascertain whether or not any money has been borrowed by the proprietors or officers in the concern's name and turned over to the business with a credit to the capital account of the proprietor, instead of appearing as a liability of the business. I know of several instances within the past few years where notes have been given to banks for borrowed money in the name of the business which were put into the business to the credit of the individual proprietor. Consequently, the financial statement, when prepared, did not show these liabilities. The auditor, who is familiar with this process, should carefully analyze the capital account as well as interest paid during the year and make a detailed analysis of how the different assets were acquired. If this is done, he can be reasonably sure that his statement includes all the liabilities from this source.

Liabilities for payrolls and taxes, it should be remembered, are first lien on the assets, and in case these items are out of proportion, remember that they will be paid before anything else, perhaps leaving little for the unsecured, common creditors.

Amounts due employees, officers and relatives in some instances may be properly shown under a heading separate from current liabilities. Nevertheless, it should be distinctly kept in mind that, in case of financial difficulties, such accounts usually are paid before any others.

### Contingent Liabilities and Reserves

Full information should appear somewhere on the financial statement as to all possible contingent liabilities. We have already spoken of notes receivable rediscounted and accounts receivable sold. Accommodation endorsements have not infrequently been the cause of the failure of a prosperous business. Full inquiry should be made as to whether there are any such endorsements outstanding, as they may appear at any time and demand payment in full. Inquiry should also be made as to whether there are any suits pending in the courts, or judgments, which might make a material difference in the financial position of the concern. With the new employees' liability law and other similar measures, it is possible for liabilities of this nature to arise at any time. Outstanding contracts, leases, moneys borrowed from members of family, etc., should be investigated to determine whether or not they have claims on the business. Special attention should be paid to reserve accounts. Reserve for depreciation should



be deducted from the asset which it affects; reserves for taxes, for payrolls and for interest are not reserves, but accrued liabilities, and should show among the current liabilities. Reserves for bad debts, when appearing as a lump sum of, say, \$5,000.00 or \$10,000.00, should be closely investigated. Reserves for bad debts should not appear on the liability side of the balance sheet, but be deducted directly from the accounts affected. In some instances an arbitrary amount set aside like this is not enough to cover the accounts which the proprietors know are worthless. It is only by a detailed inspection of each account individually that the amount necessary can be determined with any degree of accuracy. A reserve for contingencies is usually a part of the capital of the business, consisting of profits temporarily withheld.

### Fixed Liabilities

Fixed liabilities, such as long-time bonds, should appear on the balance sheet under a separate heading among the liabilities and not be deducted from the value of the assets against which they are liens. In the case of serial bonds, a certain amount of which fall due each year, the amounts falling due within a year of the date of the balance sheet should be shown as current liabilities and not as fixed. Due caution should be exercised in ascertaining upon what assets the fixed liabilities, that is, the mortgages and bond issues, are liens. Occasionally they are first lien not only upon the real estate of the company, but upon all other assets, and in such cases this should plainly appear on the statement.

### Capital or Net Worth

The important thing in analyzing net worth is first to see how the capital is invested and how it originated. Often the surplus of a concern is not real surplus, but a manipulation of the values of the fixed assets.

### Profit and Loss Statement

The examination of the profit and loss statement is principally a matter of comparison, the object, of course, being to see whether the business is going forward or backward.

We have inspected each item in the balance sheet; let us now go over the profit and loss statement in similar manner.

Below appears the analysis of profit and loss of A., B. & Company:—

## ANALYSIS OF FINANCIAL STATEMENTS

---

### ANALYSIS OF PROFIT AND LOSS—A., B. & Co.

For twelve months ended June 30th, 1916

Sales .....	\$500,000.00
Goods on hand first of year .....	\$ 60,000.00
Goods purchased during year .....	415,000.00
<hr/>	
Total to be accounted for .....	\$475,000.00
Inventory at close of year .....	75,000.00
<hr/>	
Balance—Cost of goods sold .....	400,000.00

Gross profit .....	\$100,000.00
--------------------	--------------

#### EXPENSES:

Rent .....	\$ 10,000.00
Salaries .....	20,000.00
Taxes .....	2,000.00
Interest .....	4,000.00
Miscellaneous .....	11,000.00

Total expenses .....	47,000.00
----------------------	-----------

Operating profit for year .....	\$ 53,000.00
---------------------------------	--------------

#### LESS:

##### SPECIAL DEDUCTIONS AND LOSSES:

Bad debts .....	\$ 5,000.00
Fire loss .....	8,000.00
<hr/>	
	\$ 13,000.00

#### PLUS:

##### SPECIAL ADDITIONS:

Profit on sale of real estate.....	10,000.00	\$ 3,000.00
------------------------------------	-----------	-------------

Net income for year.....	\$ 50,000.00
--------------------------	--------------

#### PERCENTAGES:

Gross profit .....	25%	on cost	20%	on sales
Expenses .....	11.75%	on cost	9.4%	on sales
Operating profit .....	13.25%	on cost	10.6%	on sales
Net profit .....	12.5%	on cost	10%	on sales

The profit and loss statement is usually divided into sales, less cost of sales, which gives the gross profit, less expenses, which leaves the operating profit; then special deductions and losses are taken off and special additions are added thereon, giving the net income for the year.

### Sales

Comparison should be made with previous periods as to the volume of sales, and in well-conducted businesses this should usually show an increase. Inquiry should be made as to whether or not there is included under the heading of sales goods sent out on consignment or goods shipped to subsidiary companies, branches or agencies. Such items are not sales, but part of the inventory until sold. The total sales should be compared with the inventory in order to get the number of times stock has been turned over during the period. The turnover, of course, varies with different businesses.

Sales should also be compared with accounts receivable, as this will show how fast the accounts are being liquidated, and also, in many instances, bring to light whether any accounts are included in accounts receivable not originating in sale of merchandise. From the total sales should be deducted full allowance for returnable packages, freights, discounts, etc.

### Cost of Goods Sold

The most approved manner of arriving at the cost of goods sold, whether for mercantile or manufacturing concerns, is as follows:—

To the inventory of the goods on hand at the beginning of the year should be added the purchases of goods made during the year, or raw material, plus cost of manufacture, in case of manufacturing plants, plus any other direct charges, such as incoming freight, incoming drayage, etc. This gives the total goods to be accounted for. The inventory of goods on hand at the end of the year represents all goods which have not been sold, and is, therefore, deducted from the "total goods to be accounted for," leaving balance as cost of goods sold. This, when deducted from the total sales, gives the gross profit for the period. It is obvious, therefore, that the amount at which the inventories are valued to a great extent determines the profit for the period.

### Expenses

The expenses of the business should be carefully compared with the previous periods to see whether or not they have increased and whether or not the business is being managed economically. The item of interest should be carefully looked into as compared with the notes and accounts payable as a check on the total outstanding. When miscellaneous expenses are shown at too large an amount, details should be required. Salaries of officers should be in proportion to the size of the business. When the total expenses are deducted from the gross profit, there then remains the operating profit for the year, from which should be deducted special deductions and losses.



### Special Deductions and Losses

All extraordinary losses, such as bad debts, fire losses, losses through damage suits, should be absorbed during the period in which they are discovered and not charged directly to surplus. When these items are charged directly to surplus the profit and loss statement does not show the movement of the business from one balance sheet to another as it should. The amount charged off on account of bad debts should receive due consideration as compared with the total sales.

### Special Additions

All extraordinary profits, such as profits realized from the sale of capital assets, should appear in the profit and loss statement under this heading, and should be added to the operating profit for the year, producing the net income.

Somewhere in the profit and loss statement should appear a detailed statement of the percentages, showing the gross profit, based both on cost and on sales. Expenses, operating profit and net profit should be treated in the same manner. On account of the confusion in the minds of many as to whether percentages should be figured on sales or cost, it is usually best to figure them both ways.

The important thing in connection with the examination of the profit and loss statement is its comparison with previous periods and with the balance sheet. The balance sheet should always show the net income for past fiscal period, which should agree exactly with the analysis of profit and loss. The profit and loss statement shows the earning power of the business as an organization unit, and, after all, the earning power is usually of more importance than the value of all the tangible assets.

As a supplement to these financial statements, there should always be available such information as the total amount of insurance carried on the fixed and current assets, the organization of the company, its history, etc.

In conclusion, it is my opinion that the enormous numbers of failures and losses sustained in this country each year are caused many times by the fact that proprietors or managers are guided, not by dishonest financial statements, but by erroneous ones, embarking on undertakings beyond their means of execution, not realizing their true financial condition until too late to retract. The public accountant, being skilled in the correct preparation and interpretation of the financial statement and accounts, has come to fill a distinct need in pointing out to the managers of business, to bankers and credit men such matters as we have discussed here.

## CRITICISM OF A BALANCE SHEET

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ONE of the most important functions of a first-class accountant is his ability to criticize the balance sheet of any concern which may be submitted to him, and, provided the necessary information is disclosed in that document, to point out the weak spots.

This faculty for criticism is mainly the result of experience, and, therefore, it behoves the young accountant to study as many balance sheets as possible and to learn the alphabet of the art from other critics.

Unfortunately, the form in which many balance sheets are prepared leaves much to be desired. It is a common failing among accountants to forget that statements, which to them are perfectly intelligible, are prepared mainly for the benefit and information of persons who have no great knowledge of accounting. The result is that the average shareholder in a limited company derives but the scantiest information from the printed balance sheet which he receives each year, and, more often than not, entirely misunderstands their meaning.

Indeed, even a skilled accountant is puzzled to know what some of these documents really intend to convey.

Only recently we had the balance sheet of a brewery company submitted to us.

The first item on the assets side was "*Estate Account.*" We found on inquiry that this item related to the brewery buildings and plant, and also to the tied houses owned, but there was nothing to indicate whether these properties were freehold or leasehold, or what depreciation had been provided.

Another item which was included among the "liabilities" was "sundry charges."

This illuminating entry referred to "debenture stock" secured by a floating charge, and to sundry mortgage loans on the properties held.

We do not pretend that this particular balance sheet is a fair sample of the way such documents are prepared for presentation to the shareholders, but in this case there was also no desire to conceal the facts, as it was a private concern. We would, however, impress upon our readers the necessity for lucidity, and remind them of the importance of so framing the accounts that they do indicate to a layman the real financial position.

The criticism of a balance sheet depends on the object for which such criticism is made, the point of view varying accordingly.

Thus the prospective purchaser of a business wishes to ascertain the financial position as disclosed thereby on the assumption that the undertaking is a going concern, whereas a banker or loan creditor is more interested in the result that might be anticipated in case of a forced sale.

Again, the prospective purchaser has to consider the return that can be expected on the capital employed, whilst a shareholder is more concerned with the reserves available.

One of the most important matters in any case is, however, the amount of liquid capital.

The total of cash at bank and in hand, bills receivable, investments in "reserve" securities (e.g., war loan and "floaters"), and sundry debtors should be compared with the total of sundry creditors, bills payable, and bank overdraft (if any).

If the latter is the greater, it shows at once that the concern is short of working capital and is "overtrading." Probably as many businesses have gone into liquidation from "overtrading" as from "bad trade," and such a result indicates at once—

1. That the turnover and, consequently, the profits, cannot be increased without the introduction of further capital.
2. That full advantage cannot be taken of discounts.
3. That profitable business may have to be refused because of the credit required.
4. That there is no reserve cash capital available for the replacement of fixed assets.
5. That in a period of financial crisis the concern may be forced into liquidation.

In a normal manufacturing business the debtors (including bills receivable) should generally exceed the creditors (including bills payable).

The next point is to note the amount of charges on the fixed assets, and whether such loans also include a floating charge. It is also necessary to see when and on what terms these loans are repayable and what provision has been made to meet such liability.

Thus a company which ten years ago made a large 4½ per cent. debenture issue due for repayment this year would now have to pay at least 1½ to 2 per cent. more on the issue of a loan to repay the debentures falling due.

If there is a floating charge it may preclude either any bank loan or further debenture issue, unless terms can be arranged with the present debenture-holders, thus automatically limiting the introduction of fresh loan capital.



The nature of the issued capital has also to be taken into account for the same reason.

There is no provision in the Companies Acts for the repayment of preference share capital, and it not infrequently occurs that the issue of first preference shares with cumulative rights in the early days of a concern is a big obstacle to the raising of additional capital as the business develops.

With regard to the Reserve Fund, it does not necessarily mean that because such fund is represented by ear-marked securities that the concern is in any better financial position.

Of course, if the Reserve Fund partake really of the nature of a Sinking Fund to redeem debentures or to provide, say, for new plant which may have to be installed before the effective life of the existing plant is exhausted, it is necessary that the fund should be represented by securities which can be readily converted into cash.

If, however, the Reserve Fund is created to provide further working capital as and when required, there is no reason why it should not at once be utilized for that purpose and be represented by stock, debtors, or even fixed assets, in the balance sheet.

Speaking generally, the appearance among the liabilities of bank overdrafts or loans repayable at call, particularly if these items occur in successive years, indicates an unsatisfactory position, as there is always a danger that such loans may be called in, and thus place the undertaking in a tight corner.

The same risk applies in private concerns to loans by individuals, executors of a deceased partner, etc.

Where fresh capital is to be introduced to pay off such liabilities, it must always be taken into account that the earning capacity of a business is not increased thereby, and in a growing concern the financial position may be equally as difficult in a year or two.

With regard to the assets, it is often impossible to express any intelligent opinion without further information, as but seldom are the fixed assets stated at their real value.

The assets may be divided into four groups:—

1. *Realizable Assets*, which should produce approximately the book value, such as cash, book debts, bills receivable, and securities valued at market prices.

2. *Assets which are worth book value or more as a going concern*, but which may or may not produce such amount on realization, e.g., buildings, plant, tools, stock-in-trade, and shares in subsidiary companies.

3. *Assets of little value except as a going concern*, e.g., goodwill, patent rights, dies, catalogues, etc.

4. *Unrepresented expenditure*, such as expenditure spread over a term of years, preliminary expenses, etc.

The value of (2) depends very largely, and of (3) entirely, on the general position of the business.

The works and plant in a declining concern may be worth much less than cost, as, although the physical life may accord with the valuation, the effective life is limited if there is not the trade to keep them fully occupied. Similarly, in a growing concern the value may be the realizable value only if it is necessary and intended to take new works or put down new plant to cope with the business it is desired to do.

It is also almost needless to say that the value of the goodwill depends entirely on the profits earned or which can be earned.

A business which is handicapped for lack of capital may have a high goodwill value, whilst a concern paying good dividends on a small issued capital may have little goodwill value if the return on the actual capital employed is taken into account.

Thus, as an illustration, we might mention a case which came before us.

An intending purchaser of a business proposed to take the shares in a private company at a price based on a valuation of the fixed and floating assets, plus goodwill.

The capital was £20,000, the Reserve Fund £25,000, and Profit and Loss Account (undivided balance) £20,000.

The company paid 30 per cent. dividend, and the intending purchaser stated that he considered the book value of the goodwill, viz., £15,000, reasonable in view of the dividend.

When we pointed out to him that the purchase price (on valuation) was £60,000, and that the profits only averaged £6,000 per annum before any charge for management, he altered his opinion.

It is not possible in this article to touch on all the points involved in the criticism of a balance sheet, but we think the student will appreciate the general line to be taken up on undertaking such work.

The main point is first, to determine the object in view, then to set out the matters required to be taken into account in forming a conclusion thereon, and to analyze the information accordingly.

It must, however, be borne in mind that the Trading and Profit and Loss Account is a detailed statement of one of the items appearing in the balance sheet, and must, therefore, be read in conjunction therewith.—From the Accountants' Journal.

## THE NEW BANKRUPTCY ACT

**M**UCH has been said in connection with the new Bankruptcy Act, which comes into force throughout Canada on July 1st, 1920. Much was necessary to be said, in order to acquaint business men with some of the provisions of the new Act, many of which, no doubt, for a time will be a little confusing.

At a meeting of the members of the Vancouver Branch of the Canadian Credit Men's Trust Association, held at the Hotel Vancouver, at which Mr. W. C. Brown, of Ellis & Brown, barristers and solicitors, of Vancouver, was the principal speaker, some very interesting questions were put at the close of his most interesting and instructive address.

Several of the most important were as follows:—

1. How soon after the Bankruptcy Act comes into force can a petition in bankruptcy be filed?

Ans. This depends upon three things: First, the coming into force of the Act (now fixed at July 1st); the commission of an act of bankruptcy after the date upon which the Act comes into force. These acts are set out in Section 3 of the Act, and are, firstly, the making of an assignment, authorized or not; the making of a fraudulent gift, conveyance or delivery of property, the creating of a charge on property, or making a conveyance which can be voided under the Act if debtor were subsequently adjudged bankrupt or if the debtor absconded from Canada or departed from his dwelling-house within Canada; permits execution to remain unsatisfied against his goods for fourteen days; exhibits statement to his creditors, showing himself to be insolvent; assigns, removes, secretes, disposes of, or admits to or is about to assign, remove, secrete or dispose of any of his goods with an attempt to defraud; does not comply with the provisions of the Bulk Sales Act. The third requisite is that the Minister of Justice has appointed or assigned one of the judges of the designated court to be a judge in bankruptcy.

2. Can a petition in bankruptcy be filed against a limited company?

Ans. Yes.

3. When a person has a large number of judgments now registered against him, and has no available assets, can he make an assignment, and later apply for a discharge?

Ans. No. The indebtedness or act upon which the petition is founded must have occurred in respect of obligations incurred after the coming into force of the Act.



4. What is the meaning of Section 8, Sub-section 2 A and B, of the Act, with reference to accounts owing prior to the Bankruptcy Act coming into force?

Ans. The first part of these two sub-sections means that a bankruptcy petition cannot be granted upon any indebtedness existing before the coming into force of the Act, where such debts be evidenced by promissory note or other instrument or by judgment; and the concluding section means that if a person can be lawfully forced into bankruptcy by reason of causes coming into existence subsequent to the Act, then his debts existing prior thereto shall be provable in the proceedings, and shall form part of the indebtedness to be satisfied thereunder.

5. Can a secured creditor sell or realize his security under Section 6 without permission of the trustee or without his valuing the security?

Ans. Yes. (See Section 46, and see above discussion.)

6. Can a trustee recover any moneys paid into court under a garnishee of account owing to the debtor, or would the garnisheeing creditor be entitled to them?

Ans. Yes. Trustee can recover. (See Anderson and Sons vs. Dawber, 22 B.C.R. 218.)

7. Section 11, Sub-section B of 1, states that only the first execution creditors are entitled to costs. Section 11, Sub-section 10, states that every assignment has precedence over all judgments, etc., but subject to all judgment creditors' costs. Which section would apply in the case of two or more judgment creditors?

Ans. Sub-section B, Section 1, applies to judgments and charges affecting personal property. Sub-section 10 deals with charges affecting realty.

8. Does Section 13, Sub-section 16, mean that all preferred creditors would have to be paid in full before compromise with unsecured creditors can take effect?

Ans. No. Any arrangement can be entered into and sanctioned by the court which has approval of ALL the creditors. (See Section 13, Sub-section 19.)

9. Does the filing of a bond by the trustee, as provided by Section 14, Sub-section 4, apply to all estates, or does a separate bond have to be filed for each estate?

Ans. The trustee must give a separate bond for each estate, unless same is waived by the creditors.

10. Section 17, Sub-section 4, provides that all losses of an insurance policy shall be payable to the trustee whether the policy has been transferred to him or not by the assignor or debtor. Is this legal?

Ans. Yes. This section displaces all former statutory or judicial authorities relative to fire insurance policies, and the trustee is as fully entitled to the proceeds of the policy as though he were originally named therein as assured.

11. Does Section 22 mean that if the trustee sells any goods which were on consignment, and of which he had no notice before the closing up of the estate, that the party who owned these goods would not have a claim against the trustee or against the estate?

Ans. Yes, to the extent to which money has been distributed. Section 37, Sub-section 3, effectually protects the trustee and the estate in case moneys have all been disposed of.

12. Would Section 22, Sub-section 2, provide for the valuing of the security held by a creditor?

Ans. This section does not deal with securities created in the ordinary sense of the word, where documents creating the securities, such as mortgages or transfers, are in contemplation, but refers to the pawn or pledge of an article by actual deposit.

13. Section 26, Sub-section 2. Does trustee need to place all moneys received in connection with an estate in a separate account?

Ans. Yes.

14. What is meant by Section 34, re undischarged bankrupt?

Ans. This section is intended to protect any person dealing honestly with a debtor without notice of the fact of receiving order having been made, and before the trustee has gotten possession of the estate, any such transaction to be valid as against the trustee; and any estate or interest which may have vested under the Act shall determine and pass in such manner as to give effect to the transaction, which may mean that the trustee would be obliged to convey property or transfer securities to such innocent person.

15. Does Section 37, Sub-section 33, mean that when a trustee has paid out all moneys on hand, save a nominal sum, that any creditor who has not filed his claim at the time of the payment of the first dividend would be entitled to his first dividend from future moneys to come in, or would he be merely entitled to the nominal sum?

Ans. The creditor would be entitled, under Section 37, Sub-Section 3, to be paid out of any moneys in the hands of the trustee

coming into his hands after declaration of a dividend in priority of payment of a second dividend to other creditors.

16. Does Section 43, relative to the appointment of inspectors, allow a representative of a firm or corporation to act as an inspector?

Ans. Section 43, standing alone, would not authorize a representative of a corporation or firm to be appointed an inspector, and the answer given was in the negative. It is submitted, however, that Section 85 is broad enough to allow any official of a corporation, authorized under seal, to act as an inspector, but a firm must appoint one of its members.

17. Do taxes take precedence over all other claims against an estate?

Ans. Yes.

18. Does rent take precedence over assignee's fees on disbursements?

Ans. Unless assignee's fees and expenses can be placed in a different category from debts, then rent is prior to assignee's fees and disbursements. Section 51, subject to the provisions of Section 52, as to rent, the assets shall be distributed in the order therein referred to. Section 52, in the disbursement of the property of the bankrupt or assignor, the trustee shall pay to the landlord in priority to all other debts, an amount not exceeding the distrainable value of the assets, and not exceeding three months' rent. Except for the words, "subject to the provisions of," set out in Section 51, one would say unhesitatingly that trustees' fees and disbursements would be in priority to rent, and, in view of the words in Section 51, it will, I think, be held that rent takes priority to trustees' fees and disbursements.

1. Section 54 provides that the debtor should submit a statement of his assets and liabilities. Does the trustee have to take this as being correct, or has he power to complete an inventory of the assets at the expense of the estate?

Ans. The trustee has power to obtain reasonable inventories at the expense of the estate, if necessary.

20. Can a bankrupt apply for a discharge before the estate is closed out?

Ans. A bankrupt cannot apply for a discharge to become effective at a date earlier than three months after being adjudged bankrupt, but the application apparently can be made any time that the estate is so far administered as to make it apparent that the balance of the assets cannot be realized without undue delay or cost.



21. Is there any provision whereby a creditor, fearing that an estate may be squandered, can tie the estate up before receiving order is made?

Ans. Yes. By Section 5 the court may, if it is shown necessary for the protection of the estate, at any time after the presentation of the petition, appoint a receiver to the estate, and give the receiver power to take immediate possession of same, or any part thereof. The appointee apparently must be an authorized trustee, and may or may not be the trustee who becomes the final trustee in the bankruptcy.—From Credit Men's Journal.

## WHAT IS INCOME?

**T**HERE are many different ideas abroad relating to what may be called income, but the taxpayer would do well to place any preconceived idea upon this point in the background, because the tax is imposed, not upon what he considers to be income, but upon what the government considers to be income.

For the purpose of the tax, income may be divided into two main classes: (a) the income derived from the business, occupation or profession in which the taxpayer is engaged; (b) income from investments, such as interest on mortgages, dividends, bonuses, rentals and similar receipts. If a man has no income other than his salary, that salary will be his income for taxation purposes. In this connection it would be pointed out that the salary is not always paid in actual money, for a portion of it may be paid in something equivalent to money. As an instance, a bank manager at a rural branch may receive \$2,400 per annum, and also be furnished with a house, for which no rent is charged by the bank. It is obvious that his salary is more than \$2,400 per annum to the extent of the annual rental value of the house. If this rental value is \$600, his income will be \$3,000 for taxation purposes.

The income of business concerns, such as limited liability companies, is considered to be the net profit derived by the business from its operations, such as would be shown in a properly drawn up profit and loss account. The income of an individual in business would be arrived at in the same way. The intention of the Act is to consider the income of a business organization, whether owned by an individual or a corporation, as the net profit earned by that organization.

### Improper Deductions from Income

A taxpayer is not allowed to deduct personal or living expenses from income. One man's entire income may be \$3,000 and his living expenses \$2,900, but his income would be treated as equal to that of another man whose entire income was \$3,000, but whose living expenses were only \$1,500.

As an illustration of the distinction drawn between business expenses and personal expenses, the case of a physician who owns two automobiles may be cited. If one auto is used for professional purposes to enable the doctor to travel from the residence of one patient to that of another patient, the cost of operating and main-

taining that car would be a proper deduction from income, but if the other car was used for pleasure, then the cost of maintaining it would be a personal expense and not deductible from income.

A man may own the house in which he lives, and as a result have to pay taxes, repair bills, etc., but these could not be deducted from income. If, on the other hand, the house is rented to another person, then the rent received, less proper charges for taxes, repairs and depreciation, would be treated as income for taxation purposes. The authorities may allow depreciation to be charged on buildings on the following basis, if the circumstances justify the allowance:—

On frame buildings, 5 per cent. per annum.

On brick, stone and brick veneer buildings,  $2\frac{1}{2}$  per cent. per annum.

On reinforced concrete buildings, 2 per cent. per annum.

### Real Estate Transactions

So many of our citizens have embarked upon real estate purchases as a "side line" that it is necessary to pay particular attention to this class of investment or speculation, whichever you care to call it. If the taxpayer is ordinarily employed as a merchant and devotes a certain portion of his surplus funds to real estate investments, a situation may arise similar to the following:—

Income derived from business .....	\$8,000
Income derived from rent of house owned .....	500
Taxes, repairs, depreciation, etc., on house.....	400
Taxes on vacant, unproductive city lots .....	150

For income tax purposes this man has two distinct classes of income: the interest derived from his business and the income derived from real estate. His business income is obviously \$8,000, but on his real estate transactions he has lost \$50. He will not be allowed to deduct this \$50 from the \$8,000, because it was lost in transactions which were not a part of his ordinary business; they were "side lines." If the rent from the house had been \$600 instead of \$500, then he would have a net income of \$50 on the real estate transactions, and this \$50 would be added for taxation purposes to the \$8,000 received from his ordinary business, and he would have a taxable income of \$8,050. Profits made through speculation or transactions other than those connected with the ordinary business of the taxpayer are not treated by the authorities as income. Suppose the house of the merchant above referred to cost him \$5,000 and he sold it for \$6,000, the profit of \$1,000 would not be taxable income.



### Profits from Speculation

As a further illustration, suppose a dentist purchased a house for \$12,600, received a net income from rentals of the house of \$250, and then sold it for \$13,800. It will be seen that he received \$1,450, but only the net rentals of \$250 would be taxable income and the profit on the sale would not be taxable. It should be carefully noted from these illustrations that the profits were derived from transactions which were "side lines" and not a part of the ordinary business of the taxpayer. An individual whose business it is to deal in houses would have to include profits on sales of houses as a part of his income, because buying and selling houses is recognized as his regular business. It sometimes happens that a loss is sustained in the selling of property. If the dentist referred to derived a net income from his dental practice of \$10,000 during 1919, and also sold a house which cost him \$8,000 for \$7,000, he would not be allowed to deduct the loss of \$1,000 from his professional income of \$10,000 for taxation purposes.

A man may live in his own house, and also own other houses which he rents to other people. Suppose there is a mortgage on each house that he owns. The interest which he pays—not the principal—on the mortgages covering the rented houses may be deducted as an expense from the rents which he derives from those houses, but the interest on the mortgage covering the house in which he lives is considered to be a personal expense, and, therefore, not deductible from income. A man may earn substantial amounts for interest on investments but not receive them. As an illustration: money may be deposited in a savings bank and the interest earned allowed to accumulate therein. This interest would be income for taxation purposes, notwithstanding the fact that the taxpayer does not withdraw it.

### Gifts, Legacies Not Taxable

Should you be fortunate enough to receive a gift of \$10,000 of 1919 Victory bonds, the \$10,000 would not be treated as income, but the interest which you receive from time to time would be treated as income. Legacies or bequests are treated similarly. The actual gift is not taxable, but the income derived from it is subject to tax. A partnership is not subject to tax, but the profits derived from it by the individual partners are taxable. The authorities will not recognize a husband and wife as business partners. A partner who derives income from sources other than the partnership practically

has to make two income tax returns, one covering the partnership profits, and the other covering additional income. The private income of a married woman is subject to tax. All persons who reside in Canada for six months in the year are liable to taxation, and those who do not reside that long are subject to taxation on any income which they derive as salary, director's fees, or other remuneration for personal services performed in Canada. A Canadian, resident abroad, is not taxable unless he is a partner in or sole proprietor of a Canadian business, or if he receives remuneration for services which the authorities deem to be performed in Canada. Income derived by a non-resident from mortgages on Canadian real estate or investments in Canadian stocks or bonds is not taxable.

### Incomes Derived from Farming

The Act requires returns to be made by all persons whose income is in excess of the exemptions they are allowed. For example, a married man with no children, having an income in excess of \$2,000, is required to make a return.

A farmer is required to add to his net income the value of the goods of his own production which he and his family have consumed. The following deductions will be allowed a farmer: The amount expended for labor in the preparation of land for crops, and in the cultivation, harvesting and marketing of the crop; the cost of seed and fertilizer; cost of labor in caring for live stock; cost of feed; repairs to barn and other farm buildings; cost of repairs to fences and machinery; cost of small tools and materials which are used up in the course of the year, such as binder twine, pitchforks, spades, etc. Payments on account of purchase price of farms may not be deducted from income, but interest on unpaid purchase price of the farm or farm stock, machinery or equipment is a proper deduction.

Cost of machinery, such as tractors and thrashing machines, cannot be deducted, but the cost of their operation is deductible.

No deduction will be allowed for cost of repairs to the farmer's dwelling, or for any cost which is a personal expense of the farmer.  
—From "Canadian Finance."



THE CANADIAN SOCIETY OF COST ACCOUNTANTS

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Many of our readers will recall that sometime during the past winter an organization has been formed in the United States known as the "National Association of Cost Accountants." The objects of this Society as set forth in the printed matter issued by its Executive Committee are said to be "to unite and promote cordial intercourse among all persons interested in cost accounting, to collect through research and to disseminate generally by all appropriate means all fundamentally sound cost accounting principles and methods; to develop, improve, extend, and as far as practicable standardize the present science and art of cost accounting; to provide tests by which candidates shall be admitted to membership; and to promote and maintain high moral standards."

A distinctive character was given to this organization by reason of the fact that it was promoted under the auspices of the C.P.A. Societies, and its officers were for the most part conspicuous members of the profession. It was abundantly evident that the need for this Association had strongly impressed itself upon the existing organization, and that a "National Association of Cost Accountants" was a definite and constructive expression of the sense of responsibility of the leaders in accounting matters for developing throughout the United States means of intercourse, dissemination of information and general improvement of educational facilities upon this important subject. The attention of certain of our Canadian Chartered Accountants being thus directed to the movement, it was felt that the time had arrived for the Canadian societies to take similar action and accordingly the various societies were approached through the President of the Dominion Association for an expression of opinion as to the advisability of incorporating a society in Canada, which would be under the guidance, for the time being, at all events, of the Chartered Societies. The replies were in all cases favorable, and each Provincial Institute nominated a member of its body to join with the others in securing a charter of incorporation from the Department of State at Ottawa under the title of "The Canadian Society of Cost Accountants." This charter was in due course granted. The incorporators, who were also named as the first trustees of the Society, were the following:—James Hutchison, C.A., Montreal, Que.; Robert J. Dilworth, C.A., Toronto, Ont.; Frederick C. Gilbert, C.A., Winnipeg, Man.; George W. Dickson, C.A., Halifax, N.S.; George E. Winters, C.A., Vancouver, B.C.; George C. Rooke, C.A., Regina, Sask.; James B. Sutherland, C.A., Calgary, Alta.; Robert A. Macintyre, C.A., St. John, N.B.



The objects as set forth in the charter are:—

(a) To provide an organization for accountants specially interested in cost accounts and system, and to promote and increase by all lawful means the knowledge, skill and proficiency of its members in all things relating to cost accounting, factory organization and accounting systems.

(b) To promote and foster in commercial circles a higher sense of the importance of systematic cost accounting.

(c) To establish and conduct classes, lectures, bulletins, correspondence courses and other instructional means to the attainment of the aforementioned ends and objects.

Accompanying the application for incorporation, there was submitted a Memorandum of Agreement, embodying a preliminary set of by-laws for the purpose of administering the affairs of the Society. These by-laws were approved by the Secretary of State, and have, therefore, become binding upon the Society for the time being. These by-laws are as follows:—

1. Any person resident in Canada, being a member in good standing of any public body of accountants incorporated under the authority of the Legislature of any Province of Canada, and any other person, resident in Canada, being of the full age of twenty-one years, and certified by his employer or two other reputable persons to be occupied in an accounting capacity, may, upon application to the Board, be admitted a member of the Society.

2. The fee for membership in the Society shall be five dollars per annum, payable in advance. In the case of a member elected after the expiration of the first six months of any annual period, the fee for the balance thereof shall be three dollars.

3. Any member who shall fail to make payment of his annual fee within two months of the date fixed for the payment shall be deemed to have thereby terminated his membership.

4. The affairs of the Society shall be managed by a board of trustees, which shall consist of:—

(a) Not less than ten or more than fifteen members of the Society, who shall be elected by the members at the Annual Meeting of the Society; and

(b) A representative from and elected annually by each public body of accountants incorporated as aforesaid; but such representatives shall also be members of the Society. Seven Trustees shall be a quorum for the transaction of business.

5. The Trustees shall, at their first meeting after such election, elect from amongst their number a Chairman, two Vice-Chairmen

and a Secretary-Treasurer; and may also, from time to time, appoint such other officers as the business of the Society shall render expedient, and determine their duties and remuneration.

6. Notice of the time and place for holding a general meeting of the Society shall be given at least fourteen days previously to the time in such notice specified for such meeting, in some newspaper published in the place where the head office or chief place of business of the Society is situate. At all general meetings of the Society, every member shall be entitled to one vote, and such vote may be given in person or by proxy if such proxy is himself a member; provided that no member shall be entitled either in person or by proxy, to vote at any meeting unless he has paid all fees then payable by him. All questions proposed for the consideration of the members at such meetings shall be determined by the majority of votes, and the Chairman presiding at such meetings shall have the casting vote in case of an equality of votes.

7. At the Annual Meeting in each year, two auditors shall be elected by the members from among their number.

8. The Society shall have a corporate seal. An impression of the corporate seal, certified by the Chairman, the Vice-Chairman and the Secretary-Treasurer, or any two of them, shall be binding upon the Society, but the officers so certifying shall be personally accountable to the Trustees and the Society for the due and proper exercise of such authority.

9. All cheques or other negotiable instruments not requiring the use of the corporate seal shall be signed by the Chairman, or a Vice-Chairman, and by the Secretary-Treasurer or other officer designated by the Trustees.

10. The Trustees may, from time to time, repeal, amend or re-enact by-laws of the Society, but every such by-law and every repeal, amendment or re-enactment thereof, unless in the meantime confirmed at a general meeting of the Society, duly called for that purpose, shall only have force until the next Annual Meeting of the Society, and in default of confirmation thereat, shall, at and from that time, cease to have force; provided, however, that no such repeal, amendment or re-enactment thereof shall have any force or effect whatever until approved by the Secretary of State in accordance with Sub-section 4 of Section 7A of the Companies Act.

For the purpose of carrying on the preliminary work of the Society until a suitable time arrived for holding a general meeting, the foundation members have admitted to membership a number of



Chartered Accountants, and have exercised the right of electing them trustees under by-law 4 (a). The full Board of Trustees, as thus constituted, is at the present time engaged in formulating plans for the development of the work of the Society.

It is proposed that the first general meeting shall be held at the conclusion of the programme for the forthcoming convention of the Dominion Association of Chartered Accountants, which is to be held in Toronto on the 14th, 15th and 16th of September. Under the provision of by-law 1 any member of a Canadian body of Chartered Accountants may apply to the trustees to be admitted to membership, and it is hoped that this privilege will be generally exercised. It is important at the outset that the Society should have the general support of Chartered Accountants, not alone for developing the legitimate activities of such a body, but for the purpose also of giving it that degree of financial support which would enable these activities to be energetically carried on.

The consensus of opinion amongst the Trustees is that the work of the Canadian Society of Cost Accountants should be educational in a large degree; the membership should be open to anyone interested in the subject of cost accounting, in the sense that his occupation includes a study of such questions for the benefit of his employer's business. The educational campaign could be carried on in a variety of ways, including the publication of selected articles upon the subject of Cost Accounting and the formation of local societies and classes. It has been suggested that a favorable opportunity is thus presented for the further development of the official publication of the Dominion Association of Chartered Accountants, "The Canadian Chartered Accountant," by including in its pages a department devoted to the subject of Cost Accounting and making it a monthly publication instead of a quarterly as at present, it being estimated that the largely increased circulation amongst the members of the Cost Accountant Society would make this development profitable.

The Trustees have appointed Mr. W. J. Valteau, Continental Life Building, Toronto, Ont., Secretary-Treasurer pro tem, and any further inquiries or applications for membership should be directed to him. Chartered Accountants everywhere are invited to give the subject serious thought, and come to the Dominion Association Convention in September prepared for a discussion of how best the work of the Canadian Society of Cost Accountants can be developed and carried on.



INCOME TAX AMENDMENT, 1920

An Act to Amend the Income War Tax Act, 1917

BILL 158

**H**IS Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1917, c. 28;  
1918, c. 25;  
1919, c. 55.

1. Section two of *The Income War Tax Act, 1917*, chapter twenty-eight of the statutes of 1917, as amended by chapter fifty-five of the statutes of 1919, is amended by adding the following paragraph thereto:—

Definitions.

“(l) ‘Dividends’ shall include stock dividends.”

“Dividenda.”

2. Paragraph (f) of subsection one of section three of the said Act, as enacted by chapter fifty-five of the statutes of 1919, is hereby amended by adding thereto the following words:—

“and the Minister shall have power to determine what deficits or losses sustained in transactions entered into for profit are connected with the chief business, trade, profession or occupation of the taxpayer, and his decision shall be final and conclusive.”

Determina-  
tion of  
deficits and  
losses.

3. Subsection five of section three of the said Act, as enacted by chapter fifty-five of the statutes of 1919, is hereby repealed and the following is substituted therefor:—

“(5) Dividends declared or shareholders’ bonuses voted after the thirty-first day of December, one thousand nine hundred and nineteen, shall be taxable income of the taxpayer in the year in which they are paid or distributed.”

Dividends or  
shareholders’  
bonuses.

4. Subsection six of section three of the said Act, as enacted by chapter fifty-five of the statutes of 1919, is hereby repealed and the following is substituted therefor:—

“(6) The income, for any taxation period, of a beneficiary of any estate or trust of whatsoever nature shall be deemed to include all income accruing to the credit of the taxpayer whether received by him or not during such taxation period. Income accumulating in trust

Income from  
an estate or  
accumulating  
in trust.

for the benefit of unascertained persons, or of persons with contingent interests shall be taxable in the hands of the trustees or other like persons acting in a fiduciary capacity, as if such income were the income of an unmarried person."

Patriotic and  
Red Cross  
funds.

5. Paragraph (c) of subsection one of section three of the said Act is hereby repealed.

6. Subsection one of section four of the said Act, as enacted by section three of chapter fifty-five of the statutes of 1919, is hereby amended by striking out all that part of the said subsection down to and including the word "Canada" at the end of the sixth line thereof and substituting the following:—

Income tax  
and persons  
liable thereto.

"4. (1) There shall be assessed, levied and paid upon the income during the preceding year of every person,—

- (i) residing or ordinarily resident in Canada; or,
- (ii) who remains in Canada during any calendar year for a period or periods equal to one hundred and eighty-three days; or,
- (iii) who is employed in Canada; or,
- (iv) who, not being a resident of Canada, is carrying on business in Canada; or,
- (v) who, not being a resident of Canada, derives income for services rendered in Canada, to any person resident or carrying on business in Canada but only upon that portion of the income so earned by such non-resident."

7. Section four of the said Act, as amended by chapter fifty-five of the statutes of 1919, is amended by inserting the following subsection immediately after subsection two thereof:—

Five per  
cent. added  
to tax and  
surtax on  
incomes of  
\$5,000 or  
more.

"(2a) The several taxes and surtaxes prescribed by subsections one and two of this section are hereby increased by the addition of five per centum of the amount of each of the said taxes and surtaxes payable with respect to any taxable income of five thousand dollars or more for the calendar year one thousand nine hundred and nineteen, or any taxable income of five thousand dollars or more for accounting periods ending in the year nineteen hundred and

nineteen, as the case may be, and for each calendar year or accounting period thereafter."

8. Subsection three of section four of the said Act, as amended by subsection two of section three of chapter fifty-five of the statutes of 1919, is hereby amended by striking out the words "of his" in the seventh line thereof and inserting in lieu thereof the following:—

"and have the tax computed upon the"

Returns, and  
tax computed.

9. (1) Paragraph (j) of section five of the said Act is hereby repealed

Military and  
naval pay.

(2) Paragraph (l), as added to section five by chapter fifty-five of the statutes of 1919, is hereby amended by striking out the words "income derived from" in the first line and the words "the income derived from" in the sixth line of the said paragraph.

Income from  
pensions.

10. (1) Section seven of the said Act as amended by chapter fifty-five of the statutes of 1919, is further amended by adding thereto the following subsections:—

"(7) Every person liable to pay any tax or surtax under this Act shall send with the return of the income upon which such tax and surtax is payable not less than one-quarter of the amount of such tax and surtax, and may pay the balance, if any, of such tax and surtax in not more than three equal bimonthly instalments thereafter, together with interest at the rate of six per centum per annum upon each instalment from the last day prescribed for making such return to the time payment is made.

One-quarter  
tax to be  
forwarded  
with return;  
balance may  
be paid by  
instalments  
with interest.

"(8) Any person liable to pay any tax or surtax under this Act who, in the return of the income liable to taxation, makes a return in which he states the income to be less than the true amount shall pay to His Majesty the additional amount of tax and surtax due on the income omitted from his return and, in addition, interest at the rate of ten per centum per annum upon such amount from the last day prescribed for making such return until the same is paid."

Penalties  
for under-  
stating true  
amount of  
income.

If the amount of the income omitted from his return exceeds ten per centum of the correct income but is under twenty per centum of the same, such person shall pay to His Majesty an additional amount equal to one-half of the amount of such deficiency, and, if the deficiency amounts

From 10 to  
under 20 per  
cent.

From and  
over 20 per  
cent.



to twenty per centum or more of the correct income, such person shall pay to His Majesty an additional amount equal to the amount of such deficiency.

Penalties are additional.

Penalties herein are additional penalties and not in lieu of any penalty that may be imposed under subsection two of section nine of the said Act.

Trustees, assignees, executors, etc., to make returns, pay taxes, etc., before distribution.

"(9) In cases wherein trustees in bankruptcy, assignees, liquidators, curators, receivers, administrators, heirs, executors and such other like persons or legal representatives are administering, managing, winding-up, controlling, or otherwise dealing with the property, business or estate of any person who has not made a return for any taxable period or for any portion of a taxable period for which such person was required to make a return in accordance with the provisions of the Act, they shall make such return and shall pay any tax and surtax and interest and penalties assessed and levied with respect thereto before making any distribution of the said property, business or estate.

Trustees, assignees, executors, etc., to obtain certificate that all charges are paid before distribution.

"(10) Trustees in bankruptcy, assignees, administrators, executors and other like persons, before distributing any assets under their control shall obtain a certificate from the Minister certifying that no unpaid assessment of income tax, surtax, interest and penalties properly chargeable against the person, property, business or estate, as the case may be, remains outstanding. Distribution without such certificate shall render the trustees in bankruptcy, assignees, administrators, executors and other like persons personally liable for the tax, surtax, interest and penalties.

Agent, trustee or collector for non-resident.

"(11) Every agent, trustee or person who collects or receives, or is in any way in possession or control of income for or on behalf of a person who is resident outside of Canada, shall make a return of such income, and, in case of default by such non-resident of the payment of any tax payable, shall, on being so notified by the Minister, deduct the amount of such tax from either the income or other assets of such non-resident in his hands and pay the same to the Minister.

Refund of over-payments.

"(12) The returns received by the Minister shall be with all due despatch checked and examined, and in all cases where such examination discloses that an overpayment has been made by a taxpayer the Minister shall make a

refund of the amount so overpaid by such taxpayer, except in cases where any instalment or instalments are either due or falling due by such taxpayer, when the amount of the overpayment shall be applied on such instalment or instalments and notice of said action given such taxpayer accompanied by the payment of the balance, if any, of the amount overpaid."

11. Subsection one of section eight of the said Act is hereby repealed and the following is substituted therefor:—

"8. (1) If the Minister, in order to enable him to make an assessment or for any other purpose, desires any information or additional information or a return from any person who has not made a return, or a complete return, he may by registered letter demand from such person such information, additional information or return, and such person shall deliver to the Minister such information, additional information or return within thirty days from the date of mailing of such registered letter. For the purpose of any proceedings taken under this Act, the facts necessary to establish compliance on the part of the Minister with the provisions of this section as well as default hereunder shall be sufficiently proved in any court of law by the affidavit of the Commissioner of Taxation or any other responsible officer of the Department of Finance. Such affidavit shall have attached thereto as an exhibit a copy or duplicate of the said letter."

Demand for additional information.

Compliance of Minister with Act to be proved by affidavit.

12. Subsection two of section eight of the said Act is hereby amended by inserting after the figure (2) the letter (a) and adding the following paragraphs:—

"(b) The Minister may require and demand the production, or the production on oath, by any person, or by his agent, or officer, of any letters, accounts, invoices, statements financial or otherwise, books or other documents, held by such person, agent or officer, for the purpose of arriving at the tax believed to be payable by any other person, and the same shall be produced within thirty days from the date of mailing of such demand."

Production of letters, books, etc., by person, or agent or officer to prove tax payable by another.

"(c) Every person who, in whatever capacity acting, is in receipt of any money, thing of value, or of profits, or gains arising from any source, of or belonging to any other person shall, when required to do so by notice from the

Persons in receipt of money, etc., of another, to produce information required.



Minister prepare and deliver to the Minister any information required, within thirty days, from the date of the mailing of such notice."

Default  
in making  
returns.

13. Subsection one of section nine of the said Act is hereby amended by striking out the words "the taxpayer and also the person or persons required to make a return" and substituting therefore the following "the persons in default."

14. Subsection one of section ten of the said Act as enacted by subsection one of section eight of chapter fifty-five of the statutes of 1919, is hereby repealed and the following is substituted therefor:—

Penalties for  
short pay-  
ments or not  
making pay-  
ments.

"10. (1) If the taxpayer pays as any instalment less than one quarter of the tax as estimated by him or should he fail to make any payment at the time of filing his return or at the time when any instalment should be paid, he shall pay in addition to all other penalties a penalty of five dollars or one-quarter of the amount of the tax unpaid, whichever is the greater."

Notice of  
assessment.

After examination of the taxpayer's return, the Minister shall send a notice of assessment to the taxpayer, verifying or altering the amount of the tax as estimated by him in his return. Any additional tax found due over the estimated amount shall be paid within thirty days from the date of the mailing of the notice of assessment. If the additional amount is not paid within the said thirty days, then the taxpayer shall pay a penalty of five dollars or one-quarter of the amount unpaid, whichever is the greater.

Payment of  
additional  
amounts  
found to be  
due.

Demand for  
payment if  
taxpayer is  
leaving  
Canada.

"(2) The Minister, if he suspects that the taxpayer is about to leave Canada, may, for that or any other reason, by registered letter addressed to the taxpayer, demand payment of all taxes, penalties and accrued interest for which the taxpayer is liable, and the same shall be paid within ten days from the date of mailing of such registered letter, notwithstanding any other provisions in this Act contained. Non-payment of the said tax within the specified time shall render the goods of the taxpayer liable to seizure by the sheriff of the city, county or district in which the goods of the taxpayer are situate. A certificate of non-compliance, with any such demand signed by the Commissioner of Taxation setting forth the particulars of the demand and placed

Seizure of  
goods upon  
non-payment.

Certificate  
to authorize  
seizure.



in the hands of the sheriff, shall be sufficient authority for him to seize sufficient of the goods of the taxpayer to meet the said demand.

The sale of such goods and the disposition of the monies <sup>Sale.</sup> realized shall be conducted in the manner prescribed by the law of the province in which the goods are situate as if the seizure were made under a writ of execution issued out of the Superior Court of the said province."

15. Section twenty-four of the said Act is hereby amended by striking out the words "as provided by the Act" and substituting therefor "except as otherwise provided in the Act." <sup>Taxes based on income for calendar year.</sup>

16. (1) Section one, two, four, eight, eleven, twelve, thirteen and fifteen of this Act shall be deemed to have come into force at the commencement of the nineteen hundred and seventeen taxation periods. <sup>Retroactive effect of sections of this Act.</sup>

(2) Subsections nine, ten and eleven of section ten of this Act shall be deemed to have come into force at the commencement of the nineteen hundred and eighteen taxation periods.

(3) Sections six, seven, subsection two of section nine and subsection two of section fourteen shall be deemed to have come into force at the commencement of the nineteen hundred and nineteen taxation periods.

(4) Section three shall come into force on the first day of January, nineteen hundred and twenty-one.

(5) All other provisions of this Act shall be deemed to have come into force at the commencement of the nineteen hundred and twenty taxation periods.

BUSINESS PROFITS TAX AMENDMENT, 1920

An Act to Amend the Business Profits War Tax Act, 1916

BILL 157

1916, c. 11;  
1917, c. 6;  
1918, c. 10;  
1919, c. 89.

His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. Section three of *The Business Profits War Tax Act, 1916*, chapter eleven of the statutes of 1916, is amended by adding thereto the following subsections:—

Amount of  
tax changed.

“(2) The profits earned in any business during any accounting period ending in the year nineteen hundred and twenty which do not exceed ten per centum per annum upon the capital employed in such business shall be exempt from the tax prescribed by this Act;

“Upon any such profits exceeding ten per centum per annum and not exceeding fifteen per centum per annum upon the capital employed, there shall be paid a tax equal to twenty per centum of such profits;

“Upon any such profits exceeding fifteen per centum per annum and not exceeding twenty per centum per annum upon the capital employed, there shall be paid a tax equal to thirty per centum of such profits;

“Upon any such profits exceeding twenty per centum per annum and not exceeding thirty per centum per annum upon the capital employed, there shall be paid a tax equal to fifty per centum of such profits;

“Upon any such profits exceeding thirty per centum per annum upon the capital employed, there shall be paid a tax equal to sixty per centum of such profits.

Tax on  
business  
where capital  
from \$25,000  
to under  
\$50,000.

“(3) In any business with a capital of not less than twenty-five thousand dollars and under fifty thousand dollars, a tax shall be paid of twenty per centum of the amount by which the profits earned during any accounting period ending in the year nineteen hundred and twenty in such business exceeds ten per centum per annum.

"(4) The rates of taxation set forth in section three of this Act, as amended by chapter six of the statutes of 1917, shall apply in respect of the profits earned in any accounting period ending in the years nineteen hundred and seventeen, nineteen hundred and eighteen and nineteen hundred and nineteen by any business liable to taxation under this Act having a capital of less than fifty thousand dollars, if twenty per centum or more of such profits have been derived from the manufacture or dealing in munitions of war or materials or supplies of any kind for war purposes."

Tax for 1917 and 1918 on business including manufacture, etc., of war munitions, etc.

2. Section twenty-six of the said Act, as enacted by chapter thirty-nine of the statutes of 1919, is amended by substituting the word "twenty" for the word "nineteen" in the third line thereof, and by substituting the word "seventy-two" for the word "sixty" in the fourth line of the first proviso in the said section.

Operation of Act extended for another year.

3. Section seven of the said Act is amended by adding the following subsection thereto:—

Capital in case of merger of companies.

"(6) In the case of two or more incorporated companies merged or consolidated at any time after the first day of January, nineteen hundred and sixteen, for the purposes of this Act the capital employed in the business of the company into which such other company or companies are merged or consolidated, or of the company created on such merger or consolidation, shall not exceed the capital of the companies so merged or consolidated as the same existed before such merger or consolidation together with any additional capital that may have been invested in such business in cash at the time of such merger or consolidation or thereafter."



THE  
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The Publication Committee will be pleased to receive contributions on subjects of interest. Papers which may not be deemed suitable will be returned, if desired.

All communications to be addressed to "The Canadian Chartered Accountant," 518 Continental Life Building, Toronto, Ont.

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NEW BANKRUPTCY ACT

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THE Bankruptcy Act passed in 1919 came into force on the first of July under the provision of a proclamation issued in January last. There are several new and important features in the Act which is believed to be the most advanced insolvency legislation on the continent. Some amendments, which consideration of the Act during the last year showed to be necessary, were made at the session just prorogued. The rules, which contain very important provisions respecting the carrying out of the Act, have recently been passed by the Governor-General-in-Council.

These rules were first printed in draft form and circulated amongst the judges, members of the legal profession and chartered accountants throughout Canada. They were carefully considered by Mr. Justice Middleton, of the Ontario Bench, and Mr. Justice MacLennan, of the Montreal Bench, and also by representatives of several bar associations. The Act, amendment and rules are now in the hands of the distribution branch of the Printing Bureau, and may be obtained upon application.

All accountants whether they intend to practise under the Act or not, should make themselves familiar with its provisions.

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INCOME AND BUSINESS PROFITS

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Amendments to the Income War Tax Act, 1917, and the Business Profits War Tax Act, 1916, passed at the session just closed, are published in this issue.

## COST ACCOUNTANTS SOCIETY

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**T**HE Canadian Society of Cost Accountants, particulars of which corporation will be found in another part of this issue, is not intended to be a professional society, but is based upon a foundation broad enough to include every accountant who has a genuine interest in cost work, systems and organization. The working plans are being developed and an active, helpful, growing organization is looked for. The First Annual Meeting will be held at Toronto during the Dominion Association Convention, probably on the evening of the 15th of September. The membership fee is Five Dollars per year, payable in advance.

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## INSTITUTE OF COMPANY SECRETARIES

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**A**CANADIAN branch of the Chartered Institute of Secretaries of Joint Stock Companies has been inaugurated, with headquarters in Montreal. The following officers have been elected: Chairman, Wm. MacInnes, Norwich Union Fire Insurance Society, Ltd.; Vice-Chairman, E. R. Whitrod, "Star" Publishing Co., Ltd.; honorary treasurer, H. J. Williams, Harrisons and Crosfield, Ltd.; honorary secretary, J. W. Benson, Canadian Import Co. The examinations for the professional membership of the institute are held at McGill University, and embrace mercantile law, company law, economics, secretarial practice, accounting and certain optional subjects relating more particularly to the special phase of secretarial activity to which a candidate is engaged.

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## PERSONAL

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Members of the profession will learn with pleasure that Sir George Alexander Touche, senior partner of Messrs. George A. Touche & Co., Chartered Accountants, was created a Baronet in the last King's birthday honors.

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## ANNOUNCEMENTS

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Messrs. Touche, Niven & Co. desire to announce the removal of their New York office from 30 Broad Street to 42 Broadway.

Messrs. Nash & Nash, Chartered Accountants, Edmonton, announce the removal of their office to 603 Tegler Building.

Messrs. George L. Blatch and Richard H. Bounsall, practising under the firm name of George L. Blatch & Co., and Mr. Herbert S. Bates announce that their offices are now amalgamated and their practice will be continued in the Sparks Chambers, Ottawa, under the firm name of Blatch, Bates and Company, dating from the first of June.

Mr. T. Percy Hill, C.A., has entered into partnership with Mr. J. E. Crawford, C.A., of Fort William. The new firm will practice under the firm name of Crawford, Hill & Co., with offices in the Cuthbertson Block, Fort William.

Messrs. Clarke, Houston & Co., Chartered Accountants, 32 Church Street, Toronto, announce that they have opened an office at 809 Bank of Hamilton Building, Hamilton, from which their Hamilton business will be conducted.

Messrs. MacKay, Irons & Co., Chartered Accountants, New York, intimate the removal of their office to 29 Broadway, New York, the practice to continue under the management of the resident partners, Messrs. Wright and Gray.



COMMUNICATIONS

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The Editor, Canadian Chartered Accountant, Toronto:

Sir,—It appears to have become the practice of many firms of Accountants to make what is called a "Balance Sheet Audit," and, with due respect to such firms and their judgment, I venture to suggest that it would be desirable to have a full discussion in the columns of your journal as to what his term exactly means, and what responsibility and risk (if any) attaches to the auditor making such audit.

To the lay mind the term "Balance Sheet Audit" conveys no special meaning. The public believes that it is the auditor's duty to audit the balance sheet, and that in doing so he has satisfied himself as to the correctness of all the figures contained therein, and that, so far as he is able to ascertain, no facts or figures which should have been stated therein have been omitted.

The question arises, Does such an audit enable the auditor to take cognizance of accounts that should have been included and have not been included? Take, for example, the liabilities. Those, as stated on the books, can be verified by obtaining confirmations from firms whose names appear on the books, but such a method does not bring to light liabilities to firms whose names do not so appear.

Again, there is a question of defalcations. Of course, in examining accounts with a view to finding out where defalcations had taken place, the procedure adopted would involve considerably more examination of detail than an ordinary audit, but in making a full audit of the accounts misfeasances would be brought to light which, in the so-called Balance Sheet Audit, might not, I think, be discovered.

I do not propose to take up too much of your space by discussing this matter at length, and possibly the points I have suggested have been taken into account and provided for, but it would be of value, I think, to many accountants to have the opinions of others on these points.

Yours faithfully,

F. R. KESTIN, C.A.

Vancouver, B.C., May 29th, 1920.



THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF ONTARIO

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(Incorporated 1883.)

R. J. Dilworth, President.

Arnold Morphy, Secretary.

W. J. Valleau, Registrar.

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The Institute examinations were held on the 26th, 27th and 28th of May, at which 28 Final, 36 Intermediate and 111 Primary candidates wrote; 18 Final, 20 Intermediate and 67 Primary being successful. Following is a list of the candidates passing and the scholarships awarded:—

Final Examination.—Arthur Arnold, W. K. Colin Campbell, H. Austin Cullen, John M. Edwards, David H. M. Farish, Thomas B. Godfrey, Russel R. Grant, Walter A. Lorimer, Kris A. Mapp, Harry S. Merson, W. C. Metherell, C. M. McClean, W. S. Pirie, John F. Robins, H. A. Shiach, James S. Smith, Archibald H. Todd, William H. Willis.

Intermediate Examination.—H. G. Leigh Bennett, Eric J. Black, H. A. Brokenshire, John S. Cowing, Howard M. Doyle, Gordon C. Ferrie, Norman K. Fredenburg, Thomas James, Alfred E. Keen, Douglas J. Lawrie, William E. McBain, George D. McLeod, Samuel E. Parker, C. A. Patterson, E. J. Pugh, Stuart P. Reesor, J. E. L. Smith, Arthur C. Thompson, E. W. Vanstone, Robert Wilkinson.

Primary Examination.—W. W. Allison, M. L. Ashmore, A. W. Bell, Frank Bell, W. R. Best, D. F. Bissonnette, F. H. Black, J. A. V. Bourne, A. Roy Brown, Gordon B. Brown, H. A. Calvin, Jr., W. A. Cameron, T. Miller Chase, Gordon E. Chidley, Philip T. Clark, J. Drummond Code, J. Stuart Crawford, Fred. R. Crocombe, C. S. Davies, Russell T. Davis, Clifford J. Dick, Robert Donellan, Gordon A. Douglas, Martin Dunsford, Jno. Entwistle, W. Gordon Firstbrook, Gilbert H. Forster, Eric Fricker, Albert V. Gibbons, Henry Glover, Kirby M. Goodings, F. Howard Gray, Elmer W. Harper, Henry A. Hopkins, A. Douglas Hume, A. M. Hunt, Alan W. Jackson, Edwin A. Jarrett, Henry N. Jordan, George F. Leaver, Norman D. Mackay, H. V. Martin, N. J. Meagher, Gordon T. Miles, A. M. Munro, C. G.

McConnell, James R. Neff, Gerald Y. Ormsby, Alan E. Phin, Harold Pinnock, Lawrence S. Ryan, H. Sanderson, W. H. Saunders, Eric D. Scott, Henry Sedgwick, Cecil W. Sime, W. M. Sinclair, Geoffray L. Smith, D. R. Scrigley, H. U. Steele, R. A. Stephenson, E. W. Stronach, H. R. Thompson, A. S. Tindale, J E Umpherson, Robert S. Watson, W. F. Williams.

Past President's Scholarships.—Final.—Kris A. Mapp.

Intermediate.—Thomas James.

Primary.—Hugh A. Steele.

Institute Scholarships.—Final.—W. K. Colin Campbell.

Intermediate.—Thomas James.

Primary.—Henry A. Hopkins.

Mr. Malcolm H. Robinson, F.C.A., of Messrs. George A. Touche & Co., owing to removal to Montreal, tendered his resignation as First Vice-President and Member of the Council of the Ontario Institute, which was accepted with much regret. Mr. Robinson's interest and active work for the Institute during his residence in Toronto was greatly appreciated and his necessary removal is deeply regretted.

The Annual General Meeting of the Institute will be held at the Hotel Carls-Rite, Toronto, on Saturday, July 17th, at 10 a.m. A luncheon will be served at the close of the business meeting.



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INSTITUTE OF CHARTERED ACCOUNTANTS  
OF MANITOBA

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(Incorporated 1886.)

F. C. Gilbert, President.

W. J. Spence, Secretary.

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Successful candidates at the examinations recently conducted by the University of Manitoba for the Manitoba Institute of Chartered Accountants were as follows:—Final.—Alex. Horne, K. G. Nairn and B. C. Galbraith, all employed by John Scott & Co. The following candidates will have to pass supplemental examinations in the subjects noted: W. Aitken (J. Scott & Co.), G. M.



Neilson (J. Scott & Co.), Bookkeeping and Accounts I and II; L. Fageant (Marwick, Mitchell & Co.), Bookkeeping and Accounts II and III; K. G. Stocomb (G. A. Touche & Co.), A. E. Turner (Marwick, Mitchell & Co.), Bookkeeping and Accounts II. Intermediate:—Cawley, Robert (Price, Waterhouse & Co.); Craig, Arthur (Touche & Co.); Finnemore, Herbert W. (Cooper & Co.); Patrick, Wm. M. P. (Touche & Co.); Towell, Sydney (Ronald Griggs & Co.); Atkinson, Bernard V. (Touche & Co.); McCartney, Cecil E. (Touche & Co.); Pawlett, Duncan (Riddell, Stead & Co.); Johnson, Frederick (Touche & Co.); Mann, Daniel (W. G. Sanburn & Co.); Nairn, K. G. (Scott & Co.); Sims, P. W. (Scott & Co.).

The five intermediate candidates first named passed with honors and Messrs. Cawley and Craig tied for the Henderson Medal. Harry Sharp, of G. E. Sharp & Co., will be required to pass a supplemental in Bookkeeping and Accounts II. K. G. Nairn, who is a returned soldier, achieved a notable success, passing supplemental papers in the intermediate and making a complete success in the final.



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THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF  
BRITISH COLUMBIA

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(Incorporated 1905.)

W. S. Buttar, President.

H. D. Christie, Secretary.

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The appeal which has been issued to practising members and others for a donation of cash or books has not so far come up to the expectations of the Students' Society Committee, appointed by the Council for the purpose of dealing with the matter, and it is to be hoped that many more subscriptions may yet be received. Meantime, a number of up-to-date books have been delivered and others written for, to the East, London, England, and Scotland.

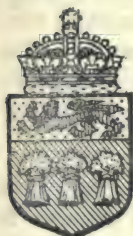
The examinations of the Institute were held on the 26th, 27th and 28th of May, 1920, the result being as follows:—Intermediate.—9 candidates—6 passed. Final.—5 candidates—3 passed.

Since the last News Letter was issued the following have be-

come members of the Institute:—H. J. Paisley, B. W. Milne, C.A. (Scotland), L. W. Taylor, A.C.A. (Saskatchewan), L. P. Bowen, H. W. George and N. H. Peters.

A number of our members set out below who went overseas, are still at large, and the Secretary would be glad of any information from members as to their whereabouts:—Ed. R. Alderson, John C. Gillespie, Hilton W. Godby, Thomas K. Hodge, Gerald Leicester, James Ross, W. D. Scrimgeour, F. L. Runner.

Two applications, one from an Anglo-Indian and another from a Japanese, which at one time looked active, have now dropped out, nothing having developed. The question of admitting such persons might be brought up for discussion at the Dominion meeting.



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THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF SASKATCHEWAN

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(Incorporated 1908.)

B. R. Masecar, President.

Thomas Lax, Secretary.

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The 12th Annual Meeting of the Institute was held at the University of Saskatoon, on Friday, May the 28th, 1920. There being present Messrs. Walker, Neilson, Lax, McTavish, Coles, Ferguson, Rooke, Thornton, Davis, Mowat, Goldie, Pilkington, Hodge, Godfrey, Thompson, Biggs, Oliver, Masecar, Wilson, Lowthian, Crossley, Ronald and Dean Ling.

The President in his address outlined the activities of the Council during his term of office, making special reference to encouragement of students' societies. He also brought to the notice of the members many points for discussion.

A feature of the day was an address delivered by Mr. Donald MacLean, K.C., leader of the opposition in the provincial legislature, on the new Bankruptcy Act. Mr. MacLean traced the evolution of the insolvency laws from ancient Roman times to the present day and showed the importance of maintaining the rights of the debtor, the creditor and the state. He also dealt fully with the practical administration of the new Act.

Uniformity of standards and reciprocal relations between the Chartered Accountants organizations of the various provinces were thoroughly discussed. The Institute accepted the recommendations of the Dominion Association in respect to standards without any material alterations. As a matter of fact this Institute was found to stand quite high in the matter of educational standards, and only a few minor changes were necessary.

Taxation during the past few years has become one of the big problems in connection with the practise of the profession. Plans for the establishment of a clearing house of information on this subject among chartered accountants will make them the best informed body on federal taxation in the province.

A joint committee from the institute and university are preparing a revised schedule of examination subjects, also a pamphlet containing all the necessary statute law in connection therewith. The latter will, no doubt, prove a great boon to the students. The institute voted funds for this work and additions to the library totalling \$250.

Mr. Rooke as the representative of the Institute on the new Society of Cost Accountants, reported as to the aims and objects. It was felt that this body will fill a long-felt want.

The new legislation regulating the auditing of municipalities was heartily endorsed and a resolution was passed urging similar law in respect to towns and villages. This law requires auditors to send out verification notices to all persons whom the records show as owing taxes at the time of audit.

The following officers were elected:—President, B. R. Masecar; Vice-President, W. E. Hodge; Secretary-Treasurer, Thomas Lax; Councillors, F. J. Pilkington, G. C. Rooke, C. E. Walker, D. Mowat and J. Neilson; Auditor, R. E. Davis; Librarian, C. E. Walker; representatives at the Dominion Council, G. C. Rooke (one year), and B. R. Masecar (two years).

The results of the Chartered Accountants' Examinations which were written in April at the University of Saskatchewan, have been issued by Dean Ling. The list contains the names of the students successful in the Primary, Intermediate and Final Examinations, as well as those who were granted supplementals. The list is as follows:—



Primary.—Passed—W. C. Webster.

Intermediate.—Passed—A. A. Armstrong, B. W. W. Bone, G. Bing, L. R. Booth, H. H. Bamford, H. R. Clark, H. Clements, E. C. Holtby, R. H. Hall, W. J. Hyde, P. E. Heal, W. A. Jacklin, P. S. Kuhn, P. S. Kaffer, E. H. Leard, T. H. Moffet, A. Manson, C. H. G. Mann, E. Plant, S. A. Pridham, S. G. Thom, G. Weir.

Final.—Passed—W. H. Briggs, J. D. Dawson, A. G. Deserres, F. V. Ferguson, W. W. Gladwell, L. Jacobs, W. Longridge, D. A. MacDonald, F. H. H. Smith, J. W. Smith.

Supplementals were granted as follows:—

Intermediate.—T. B. Ferguson (Statute Law), C. E. Lami (Statute Law), J. Merrick (Arithmetic), W. T. Scott (Statute Law), M. C. Tomlinson (Statute Law).

Final.—W. O'Neil (Economics), H. T. Ross (Economics), W. J. Weston (Company Law).

In connection with the Scholarships offered annually by the Institute the following recommendations have been made by the Chairman of the University Board of Examiners to the President. Primary.—No award. Intermediate.—1st, A. Mason, Regina; 2nd, A. A. Armstrong, Moose Jaw. These Scholarships are payable in accounting books or tuition fees.

A successful windup to the activities of the Regina Accountancy Students' Association for the season took the form of a banquet to which all speakers at the meetings were the invited guests. Among the speakers were the President of the Institute, G. R. Dolan, Principal of the Collegiate Institute, G. C. Rooke, F. J. Wilson and others.

Owing to the employment by the Federal Government of American expert accountants and efficiency engineers to reorganize the Post Office and Customs Departments, the Council of the Institute sent the following telegram of protest to the Prime Minister and the Western Representative in the Cabinet, Hon. J. A. Calder:—

"The Council of the Institute of Chartered Accountants of Saskatchewan protests strongly against the employment of American expert accountants and efficiency engineers to reorganize Post Office and Customs Departments, believing that this work can be done as effectively by Canadian firms."



THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF ALBERTA.

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(Incorporated 1910.)

Ed. D. C. Thomson, President.

Cecil E. Race, Secretary.

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The regular quarterly meeting of the Council of Chartered Accountants of Alberta was held in the office of the Secretary at the University on Saturday morning, March 27th, 1920, with President Sutherland in the chair.

The principal business of the meeting was to pass upon applications for examination. 17 candidates were turned over to the University for examination in the Intermediate, and 14 candidates for examination in the Final. Two applications, one for the Intermediate and one for Final were refused because the requirements had not been fulfilled.

The following applications for registration of articles, three in number, were approved:—E. S. George, articulated with Harry O. Patriquin, C.A., Edmonton; David A. Ross, articulated with W. H. A. Thompson, C.A., Calgary; George M. Findlay, articulated with W. H. A. Thompson, C.A., Calgary.

One other application for registration was deferred for further information.

One new member was admitted in the person of William Armour Miller, a member of the Institute of Chartered Accountants of Saskatchewan, who has become a resident of Calgary.

A letter from President Neff, of the D.A.C.A., was presented, dealing with the matter of the War Memorial Shield and the establishment of an annual prize to be known as the "War Memorial Prize." The Institute is quite in accord with the proposition embodied in the matter of the shield, although it is fortunate in that all its members who served overseas have been able to return. The other matter of the Memorial Prize was referred to the Annual Meeting of the Institute for discussion. Meantime, the cash prizes which have been donated for several years to the highest candidate in the Intermediate and Final respectively, will continue.

The Calgary Students' Association turned in \$34.25, being balance of funds which they had on hand toward the Library Fund, to the Institute.

The Annual Meeting of the Institute of Chartered Accountants of Alberta was held in the Senate Chamber of the University Buildings in Edmonton at 2 o'clock on Saturday afternoon, May 22nd, 1920. President J. B. Sutherland was in the chair, and a good representation was in attendance.

The President's report showed that there had been a net increase of eight members to the Institute during the year, bringing the total up to 67, of whom all but about a dozen would qualify for the D.A.C.A. This report was presented before the results of the recent examinations were announced. Eight students had taken out articles with various practicing members and registered their articles with the Institute. Student associations both in Edmonton and in Calgary had been fairly active during the year, and had turned over their surplus finances to the Institute for the further purchase of books for library purposes.

The Financial Statement showed a net surplus of \$2,010.28, the principal part of which had been invested in Victory Bonds.

Delegates Sutherland and Race reported to the meeting concerning the Convention at Winnipeg, and arrangements were made to send two delegates to the convention in Ontario during the summer. Messrs. J. B. Sutherland and W. H. A. Thompson being the representatives elected. A recommendation was sent forward to future meetings that the President who is retiring, and the incoming President be the representatives in ensuing years to the D.A.C.A. It was agreed that special arrangements might be made at any time, but the adhering to some such plan as the one suggested would provide desirable continuity. The other elections for the following year resulted as follows:—President, Ed. D. C. Thomson; 1st Vice-President, F. M. Harvey; 2nd Vice-President, M. C. McCannel; Secretary-Treasurer, C. E. Race; Auditor, H. O. Patriquin; representative of the Institute on the Senate of the University, Ed. D. C. Thomson.

A hearty vote of thanks was tendered to the retiring President and members of the Council for the efficient manner in which they had transacted the business of the past twelve months.

Some discussion took place with regard to the War Memorial prize suggested at the Winnipeg Convention, to be given in each Institute on the basis of examinations. There was a general feeling that the plan did not provide a suitable war memorial, and the In-



stitute preferred to continue its present arrangement for the giving of prizes to those who stood highest in the Intermediate and Final examinations.

Fifty-seven votes were reported as being either completely or substantially in favor of the proposed Tariff of Fees, and it is probable that action will be taken shortly to have the Tariff authorized by the Lieutenant-Governor-in-Council.

A proposal that railway fares within the Province be paid to members attending Annual Meeting was debated, but it was decided that the time was not opportune for putting such an arrangement in force.

A recommendation was carried that annual meetings should be held alternately in Edmonton and Calgary.

Explanation was made by Mr. Sutherland of the recent incorporation of Cost Accountants.

Committees were appointed to thrash out the details of Alberta's view concerning the report of the Dominion Committee on Uniformity of Standards. Their report has since been sent in to the Dominion Secretary.

Chas. M. Lang, a charter member of the Institute, who had been absent for some years on account of ill-health, has renewed his affiliation. He has taken up work with the Department of Agriculture, Government Buildings, Edmonton.

The results of the examinations were sent in by the Senate of the University, and showed that out of 19 Intermediate candidates—8 had passed, 6 had obtained supplementals, and 5 had failed. Of the Final candidates there were 13, of whom 4 had passed—6 had been granted supplementals, and 3 had failed. The Final candidates were received into membership.

The successful candidates were as follows:—

Final.—William Norman Downs, James Cottew Thompson with honors and prize, Henry Ricardo Symes, Harold G. Forson.

Intermediate.—W. Donaldson, A. G. Trotman, E. A. Stockwell, G. L. Bagnall, S. T. Weaver with honors and prize, L. G. Gaetz, F. D. Noble, A. D. Sturrock.

The following were granted supplementals, having received below 65% but above 40% on the papers indicated and having a satisfactory average on the total:—

Final.—R. W. Gardner, Advanced Bookkeeping No. 2 and No. 3; B. C. Longmire, Bookkeeping No. 1 and No. 3; A. G. Fry, Bookkeeping No. 1 and No. 3; W. S. Johnston, Bookkeeping No. 1; C. S. Kilgour, Bookkeeping No. 1 and No. 3; A. P. McGuigan, Bookkeeping No. 3.

Intermediate.—A. W. Northover, Mathematics; H. D. Phillips, Banking and Bills of Exchange; J. H. Watson, Mathematics and Bookkeeping No. 2; G. D. Kinnaid, Mathematics and Bookkeeping No. 2; A. West, Mathematics and Bookkeeping No. 1; J. M. Caine, Mathematics and Company Law.

# Dominion Association of Chartered Accountants



## OFFICERS 1919-1920

### PRESIDENT :

ARTHUR C. NEFF .. .. . Toronto, Ont.

### VICE-PRESIDENT :

GEORGE E. WINTER .. .. . Vancouver, B.C.

### SECRETARY-TREASURER :

ARNOLD MORPHY, 518 Continental Life Building, Toronto, Ont.

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J. R. BLACKETT, Halifax, N.S. ..	}	The Institute of Chartered Accountants of Nova Scotia.
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B. R. MASECAR, Edmonton, Alta. ..	}	The Institute of Chartered Accountants of Alberta.
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	}	The Institute of Chartered Accountants of New Brunswick.



OFFICIAL LIST MEMBERS DOMINION ASSOCIATION OF  
CHARTERED ACCOUNTANTS

NOTE.—This list does not contain the names of those members of a Provincial Society non-resident in Canada. By-Law No. 1 of the Dominion Association of Chartered Accountants providing "the membership shall be *ipso facto* the members in good standing resident in Canada," etc.

The Association of Accountants in Montreal

- APEDAILE, J. L., c/o Price Bros., Quebec.
- BAKER, C. W., 232 St. James Street, Montreal.
- BAKER, E. M., 117 Church Street, Windsor, Ontario.
- BENNETT, E. J., 1528 Bank of Hamilton Building, Toronto.
- BIRNIE, J. G., 232 St. James Street, Montreal.
- BRIMACOMBE, L., 180 St. James Street, Montreal.
- BRODIE, A. B., 608 Dominion Express Building, Montreal.
- BURDEN, G. S., 80 St. Francois Xavier Street, Montreal.
- CAMPBELL, S. R., 142 Notre Dame street West, Montreal.
- CINQ MARS, A., 50 Notre Dame Street West, Montreal.
- CLAGUE, J. A., Sun Life Assurance Company, Montreal.
- CLAPPERTON, H. D., 80 St. Francois Xavier Street, Montreal.
- COLE, A. W., 157 St. James Street, Montreal.
- COLE, ERNEST C., 84 Commercial Union Building, Montreal.
- CROSS, A., 142 Notre Dame Street West, Montreal.
- CURRIE, G. S., 179 St. James Street, Montreal.
- CUSHING, L., 80 St. Francois Xavier Street, Montreal.
- DAVENPORT, GEO., Room 200, 103 St. Francois Xavier St., Montreal.
- DOWIE, L. A., 10 Adelaide Street East, Toronto.
- DURNFORD, GEO., 189 St. James Street, Montreal.
- EDWARDS, H. P., 107 St. James Street, Montreal.
- FERRIE, R., 802 Royal Bank Building, Toronto.
- FISK, A. K., 703-4 Eastern Townships Bank Building, Montreal.
- GAGNON, P. A., 316 Quebec Bank Building, Montreal.
- GOWAN, A. A., 17 St. John Street, Montreal.
- GRANT, J. A., 142 Notre Dame Street West, Montreal.
- HAINS, JOHN MCD., 412 Coristine Building, Montreal.
- HILL, M. S. T., 235 Board of Trade Building, Montreal.
- HODGSON, C. A., 80 St. Francois Xavier Street, Montreal.
- HODGSON, G. W., 511 Power Building, 83 Craig Street West, Montreal.
- HOPE, A. E. M., 263 St. James Street, Montreal.
- HUNTER, GEO. JR., 80 St. Francois Xavier Street, Montreal.
- HUTCHISON, JAS., 80 St. Francois Xavier Street, Montreal.
- HYDE, JOHN, 304 Merchants Bank Building, Montreal.
- JONES, W. S., 137 McGill Street, Montreal.
- JONES, G. MCCARTHY, 854 Lorne Crescent, Montreal.

- KERR, DAVID S., 232 St. James Street, Montreal.  
KING, HAROLD, 591 St. Catharines Street West, Montreal.  
KINGAN, G. B., 120 St. James Street, Montreal.  
KENT, L., 180 St. James Street, Montreal.  
  
L'HEUREUX, J. A., 296 St. Paul Street West, Montreal.  
LABELLE, J. Z., Riddell, Stead, Graham & Hutchison, 80 St. Francois Xavier Street, Montreal.  
LARUE, J. A., 126 Rue St. Pierre, Quebec.  
  
MACINTOSH, P., 157 St. James Street, Montreal.  
McDONALD, G. C., 179 St. James Street, Montreal.  
McNAB, J. C., 201 Royal Trust Building, Montreal.  
MIDGLEY, H. E., 103 St. Francois Xavier Street, Montreal.  
MILLER, ROBERT, P.O. Box 1723, Montreal.  
MITCHELL, A. F., 69 St. Francois Xavier Street, Montreal.  
MUNDELL, W. J., 27 Alloway Avenue, Winnipeg, Man.  
MURRAY, JR., J. R., 241 Clarke Ave., Westmount, Que.  
  
PARENTEAU, L. C., 103 St. Francois Xavier Street, Montreal.  
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PATERSON, JOHN, 80 St. Francois Xavier Street, Montreal.  
PAYNE, GORDON S., 232 St. James Street, Montreal.  
PECKHAM, S. BRITTAIN, 142 Notre Dame Street West, Montreal.  
PEEL, EDWIN, 109 Board of Trade Building, Montreal.  
PIPER, H. S. T., 210 Madison Avenue, Montreal.  
PLIMSOLL, A. H., 210 Milton Street, Montreal.  
PROBYN, PERCIVAL, 145 St. James Street, Montreal.  
  
RATHIE, W. W., 120 St. James Street, Montreal.  
RIDDELL, A. F., 80 St. Francois Xavier Street, Montreal.  
RITCHIE, C. F., 211 McGill Street, Montreal.  
ROBERTSON, A. S., 128 Bleury Street, Montreal.  
ROSS, ALEX. F. C., 142 Notre Dame Street West, Montreal.  
ROSS, J. G., 142 Notre Dame Street West, Montreal.  
ROSS, JOHN W., 142 Notre Dame Street West, Montreal.  
ROSS, R. C., 80 St. Francois Xavier Street, Montreal.  
  
SCOTT, GORDON W., 142 Notre Dame Street West, Montreal.  
SHARP, F. W., 501 Power Building, Montreal.  
SKELTON, C. HAROLD, 703-4 Eastern Townships Bank Building, Montreal.  
  
SMIBERT, ALFRED, 80 St. Francois Xavier Street, Montreal.  
SMITH, H. MEREDITH, 180 St. James Street, Montreal.  
STEAD, A. C., 80 St. Francois Xavier Street, Montreal.  
STEVENSON, A. W., 802 Eastern Townships Bank Building, Montreal.  
STEVENSON, REGINALD C., c/o A. K. Fisk, Skelton & Co., 263 St. James St., Montreal.  
  
TANSLEY, GORDON W., 205 St. James Street, Montreal.  
THOMSON, W. GARTH., 260 St. James Street, Montreal.



## OFFICIAL LIST OF MEMBERS

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TRUDEL, EUGENE, 126 St. Peter Street, Quebec, Que.  
TURNBULL, F. MARTIN, 501 Power Building, Montreal.  
TURVILLE, FRANK P., 17 St. John Street, Montreal.  
WILSON, ROBT., Board of Trade Building, Montreal.  
WILSON, W. S., 83 Bank of Ottawa Building, Montreal.  
WURTELE, E. F., 408 Mappin & Webb Building, Montreal.

### The Institute of Chartered Accountants of Ontario

ADAMS, A. W., 36 Toronto Street, Toronto.  
ALLEN LOFTUS A., 408 Manning Chambers, Toronto.  
ANDERSON, J. DONALD, 303 Board of Trade Building, P. O. Box 95,  
Montreal.  
ANDREWS, W. S., 4 Beaumont Road, Toronto.  
ARCHER, L. W., 304 Continental Life Building, Toronto.  
ARNOLD, ARTHUR, 15 Wellington Street West, Toronto.  
ATKINSON, J. L., Room 21, 10 Adelaide St. East, Toronto.  
BARBER, HENRY, 18 Wellington Street East, Toronto.  
BATES, H. S., 193 Sparks Street, Ottawa.  
BAXTER, P. C., 26 Queen Street East, Toronto.  
BEGG, G. M., 262 Carlton Street, Toronto.  
BENSON, WM. C., Bank of B.N.A., London, Ont.  
BERNER, WALTER G., 708 Continental Life Building, Toronto.  
BLANCHARD, A., 93 Worthington Street West, North Bay.  
BLATCH, G. L., 193 Sparks Street, Ottawa.  
BOUNSALL, R. H., 193 Sparks Street, Ottawa.  
BROWN, J. ALBERT, Athelma Apartments, Toronto.  
BUNNELL, A. K., City Hall, Brantford.  
BURNS, R. E., Ontario Chambers, Kingston.  
CALDER, A. G., 693 Talbot Street, London, Ont.  
CAMPBELL, G. D., 59 Yonge Street, Toronto.  
CAMPBELL, W. K. COLIN, 59 Yonge Street, Toronto.  
CARSWELL, WM., 121 Shearer Street, Montreal.  
CHAMBERLAIN, A. F., 74 Nepean Street, Ottawa.  
CLARK, T. S., Cobalt, Ont.  
CLARKE, J., 32 Church Street, Toronto.  
CLARKE, J. J., 614 Excelsior Life Building, Toronto, Ont.  
CLARKSON, E. R. C., 15 Wellington Street West, Toronto.  
CLARKSON, G. T., 15 Wellington Street West, Toronto.  
COOPER, R. J., 44 Heath Street East, Toronto.  
CRAIG, W. H., 109 Gore Street, Kingston.  
CRAWFORD, J. E., 109 Cuthertson Block, Fort William.  
CRAWLEY, A. A., 50 Albert Street, Ottawa.  
CRINGAN, J. W., 633 Church Street, Toronto.  
CULLEN, H. AUSTIN, 120 Dowling Avenue, Toronto.  
CUNNINGHAM, G. DE H., 165 Spark Street, Ottawa.  
CUNNINGHAM, J. F., 165 Spark Street, Ottawa.



- DAWSON, P. H. B., Union Bank Chambers, Fort William.  
 DAY, Q. D., Room, 28, 82-88 King Street East, Toronto.  
 DILWORTH, R. J., 15 Wellington Street West, Toronto.  
 DOGGERELL, A. J., 776 Wellington Street, London.  
 DRAPER, GORDON V., 32 Church Street, Toronto.  
 DUNLOP, W. M., Citizen Building, Ottawa.  
 EDDIS, J. W., Continental Life Building, Toronto.  
 EDDIS, C. S., Continental Life Building, Toronto.  
 EDWARDS, A. GEOFFREY, 10 Adelaide Street East, Toronto.  
 EDWARDS, GEO., 10 Adelaide Street East, Toronto.  
 EDWARDS, JOHN M., 10 Adelaide Street East, Toronto.  
 EDWARDS, H. PERCY, 10 Adelaide Street East, Toronto.  
 EDWARDS, OSWALD N., 10 Adelaide Street East, Toronto.  
 FALLS, A. F., Victoria Block, Chatham, Ont.  
 FARISH, D. H. M., 1072 Bathurst Street, Toronto.  
 FENTON, WILSON, 17-31 King Street East, Toronto.  
 FERGUSON, W. S., Forum Building, Toronto.  
 FLEMING, C. A., 823 Second Avenue, Owen Sound.  
 GAWTHORP, H. H., 39 Silver Birch Avenue, Toronto.  
 GEGGIE, THOMAS P., 116 Dowling Avenue, Toronto.  
 GEORGE, JAMES, 921 Bank of Hamilton Building, Toronto.  
 GERRY, NELSON B., 14 Indian Road, Toronto.  
 GIBBS, FRANK P., McLagan Furniture Company, Stratford.  
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THOMSON, ED. D. C., c/o Webb, Read, Hegan & Co., Edmonton.  
THOMPSON, W. H. A., Care of Edwards, Morgan & Co., Calgary.  
WALKER, M. H., Room 3, B.B.N.A. Building, Edmonton.  
WATSON, JOHN B., P.O. Box 308, Calgary.  
WATSON, J. W., 715 4th Avenue Northwest, Calgary.  
WILLIAMS, J. H., Lougheed Building, Calgary.  
WOODARD, JAMES, 481 Rathgar Avenue, Winnipeg, Man.

**The Institute of Chartered Accountants of New Brunswick**

BLANCHET, P. F., —, St. John, N.B.  
COX, ARTHUR E., Canada Life Building, St. John, N.B.  
LOUDOUN, W. A., Parliament Buildings, Fredericton, N.B.  
MACINTYRE, A. P., 250 Rockland Avenue, St. John, N.B.  
MACINTYRE, R. A., Weymouth, N.S.

**Members at large:—**

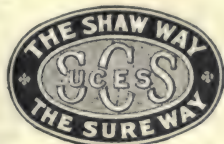
LEE, W. S., 117 Hollis Street, Halifax, N.S.  
MENZIES, J. H., P.O. Box 1361, Winnipeg, Man.  
SAMPSON, W. C., 1219 Langley Street, Victoria, B.C.

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The Canadian Chartered Accountant for: July, 1911; October, 1911; April, 1912; October, 1914; January, 1915; July, 1915; October, 1919.



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# THE CANADIAN CHARTERED ACCOUNTANT

OFFICIAL ORGAN OF THE  
DOMINION ASSOCIATION OF CHARTERED  
ACCOUNTANTS

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ISSUE NO. 38

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## DOMINION ASSOCIATION CONVENTION

THE 18th Annual Meeting of the Dominion Association of Chartered Accountants was held in the Canadian Order of Foresters Hall College Street, Toronto, on September 14th, 15th and 16th. There was an attendance of about 120 members of the Association, of which 30 were from other Provinces. The meeting was presided over by the President of the Association, Mr. Arthur C. Neff, who called upon Mr. Dilworth, the President of the Ontario Institute, to extend a welcome to the visiting members.

The first order of business was the President's address and the appointment of a Committee to consider matters arising out of same. The address appears elsewhere in this issue. The reports of the constituent societies were then read and by vote received.

At the afternoon session Mr. G. T. Clarkson, F.C.A., addressed the meeting upon the subject of the Bankruptcy Act. This session of the Convention attracted a very large attendance, which included many who were not members of the Association, all of whom manifested a deep interest in the subject. Mr. Clarkson answered numerous inquiries and at the conclusion of the discussion a very hearty vote of thanks was tendered to him.

The Financial Report of the Secretary-Treasurer was received and adopted. A feature of the discussion upon the Annual Report was as to the desirability of providing, by means of special assessments, for the increased expenses of the Association, and the formation of a Reserve Fund whereby the business of the Association might be carried on comfortably in turn by the constituent societies. It was pointed out that, owing to the greatly increased cost of everything, the assessment of \$1.00 per member had now become quite inadequate and not only was the Association now in a position of anticipating somewhat the revenues for the incoming year but certain expenditures already decided upon by former meetings could not be carried



out for lack of funds—notably the bronze shield which was intended to commemorate the members of the Association who had given up their lives during the recent war. It was also pointed out that to carry on the work of the magazine a larger appropriation from the funds of the Association might become necessary. It was ultimately decided to amend the by-laws so as to provide for an annual minimum assessment of \$2.00 per member, and to leave to future meetings any situation which might arise from an undue accumulation of monies by reason of such increased assessment. The by-law received the unanimous endorsement of the members.

Discussion took place upon the desirability of including as members of the Dominion Association all members of constituent societies, wheresoever resident. The meeting being favorable, an amendment to the existing by-law was introduced to effect that object. Both of these by-laws, of course, require the unanimous sanction of constituent societies before becoming operative.

The report of the Magazine Committee was presented, showing increased revenue from circulation, but, also increased expenses on account of publication. By reason, however, of a substantial falling off in the advertising revenues, a deficit had occurred during the year, of \$220.00—the effect being to nearly wipe out the Committee's surplus. In the discussion which took place upon the magazine, the members unanimously paid tribute to its worth and expressed the hope that its present high standard would be maintained. It was decided, as a matter of progress, to make it a bi-monthly instead of a quarterly publication, and to increase the annual subscription to \$2.00 per annum.

The discussion upon the subject of a Joint Year Book resulted in the adoption of a resolution directing the Magazine Committee to proceed at an early date with the compilation of matter which would form the nucleus of such a book (the Magazine Committee to have full discretion as to the manner of its publication and the extent of the information furnished), the subject to come up again at the next annual meeting for such further action as might seem necessary. The Magazine Committee thereupon put forward the suggestion that the first Joint Year Book would take the form of one of the bi-monthly issues of the magazine—either July or September, preferably the former date—provided it could be arranged that the constituent societies could so advance the dates of their annual periods and the election of officers, that the information furnished in the Joint Year Book would be good for the then ensuing twelve months.

The Committee upon the "Uniformity of Standards and Practice"



presented its report, which consisted of a series of recommendations for the consideration of the constituent societies. With some amendments this report was adopted, and will appear elsewhere in the magazine. The hope was expressed that the societies would endeavor as soon as possible to bring their local enactments into substantial harmony with the Committee's recommendations.

An interesting feature of the annual meeting was the presence of a representative of the President of the American Institute, Mr. J. Porter Joplin, and also the President of the National Association of Cost Accountants, Mr. J. Lee Nicholson. Both of these gentlemen responded to the toast to "Our Guests" which was presented at the banquet held in the King Edward Hotel, on the evening of Tuesday, the 14th.

The social features of the Convention included a motor drive for the ladies on Tuesday afternoon; the banquet on Tuesday evening; an afternoon trip upon the Toronto Harbor Commissioners' steamer "Bethalma" to view the harbor improvements, and a motor trip on the Toronto and Hamilton Highway, followed by a delightful supper at the Lake Shore Country Club, through the good offices of Mr. J. B. Robertson, a member of that club. The visiting members declared that they had had a most enjoyable time and the Convention concluded with the usual votes of thanks.

At the Council meeting which followed Mr. George E. Winter, of British Columbia was elected President; Mr. H. D. Creighton, of Nova Scotia, Vice-President; and Mr. H. D. Christie, of British Columbia, Secretary-Treasurer, for the ensuing year.

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### THE PRESIDENT'S ADDRESS

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To the Officers and Members of

The Dominion Association of Chartered Accountants.

GENTLEMEN:—

Before reviewing the year's progress and the questions to be considered at the Eighteenth Annual Meeting of the Dominion Association of Chartered Accountants, let me add to the welcome already given you an expression of the pleasure it gives me and my Ontario colleagues on the Council to greet you here, and to renew and extend our friendships among the profession. We hope you will find the meetings both enjoyable and profitable.

Since we last met here, in 1912, great changes have come over the world, and, though peace has been declared in most countries,

there is still an element of unrest in many of them. There is also such a change in economic conditions as few of us could have imagined a few years ago, such as the prices of commodities, the cost of living, the rate of wages and of rent, the rate of exchange and relative value of money, and, as important as any, the enormous increase in the national debt and obligations and the cost of government and the consequent burden of taxation in many new forms. With these has come a remarkable increase in evidences of wealth and gain.

With it all, there is a heavy increase in our work and responsibilities and in which I hope we shall not fail to acquit ourselves with due credit to our profession, and that we shall bear a worthy part in the solution of the great problems of the day.

Turning to our own affairs:—

*Membership.*—The membership of the Association, as shown by the last returns, is now 570, an increase of 22 over that shown last year, the details by Provinces being as follows:—

Incorporated:	1919.	1920.	Increase
			or decrease.
1880 Quebec .....	85	89	4
1883 Ontario .....	168	177	9
1886 Manitoba .....	80	80	.
1900 Nova Scotia .....	32	35	3
1905 British Columbia .....	62	62	.
1910 Saskatchewan .....	55	64	9
1910 Alberta .....	57	55	2*
1918 New Brunswick .....	5	5	.
1902 Members at large .....	4	3	1*
	—	—	—
	548	570	22

\*Decrease.

*Finance.*—The Secretary-Treasurer's Report will show a reduction in the balance on hand carried over to the current year.

The Canadian Chartered Accountant has not drawn its appropriation for two or three years, but it is now in need of funds, and an appropriation of \$300 will be required. It will, therefore, be necessary to make an extra assessment upon the Constituent Societies of the Association.

*Memorial Tablet.*—Last year's meeting recommended that a bronze tablet in memoriam of the brave members of the Association who made the supreme sacrifice in the Great War should be procured



and displayed in the meeting room at each annual convention. It was found that the cost would be from \$200 to \$250, and that in the present condition of the finances we were unable to carry out the instruction. In the meantime, a page of the "Canadian Chartered Accountant" was appropriated to that purpose, and there has been a suggestion that the page should be repeated once a year. There are ten names from six provinces. If the tablet is to be procured this year, the extra assessment will require to be increased to provide for it.

*Memorial Prizes.*—On submitting last year's suggestion that the Provincial Institutes should create memorial prizes, it was found that several of the Institutes already have established prizes which they were reluctant to interfere with. I hope the idea will not be lost sight of, and that, as far as possible, it will be carried out.

*Uniformity of Standards and Practice.*—The committee in charge of this matter has been in communication with the various institutes and will present their report of progress up to date, and the afternoon of Wednesday has been set aside for a full discussion of their report. I am looking forward to substantial progress being made this year.

*Papers to be submitted.*—Provision has been made for only a paper on The Bankruptcy Act, by Mr. G. T. Clarkson, F.C.A. As Mr. Clarkson has been in close touch with the Department of the Secretary of State during the preparation of the Act, he will be able to speak with authority on the subject.

At last year's meeting there was a discussion of the desirability of all Chartered Accountants being registered as Trustees under this Act, and the President, in his address, mentioned the fact that, as appointments are made by Order-in-Council, it might not be practicable to appoint the members as a body. It is now hoped that Chartered Accountants will be *prima facie* considered as sufficiently qualified for appointment on application to the Governor-in-Council, and so would be eligible for registration wherever there is room on the panel of the district.

It appears to me that there are a number of accountants who have no desire to practice in the Bankruptcy Court, and some of the partners in firms would not wish to carry the permanent bond for \$15,000 which, under the latest regulation, is required before registration.

*Customs Duty on Accountancy Books.*—From my early enquiries, it appeared that the duty is regulated by the Customs Tariff Act, and can be changed only by an amendment to the Act. Books on Law



and Medicine are under the same duty as those on Accountancy, and the only effort which promised benefit was to lay our case fully before the Tariff Commission when it is making its enquiries this fall. However, within a few days I have learned that if accountancy books are placed upon the curriculum of a university in Canada, and registered by the department, so that they may be referred to by an distinctive number, they will be entitled to free entry. As some of our Institutes have affiliations with universities, this should be capable of being worked out by an arrangement with the universities.

*Rulings on Dominion Tax Acts.*—I wrote the Commissioner of Taxation pressing upon him the necessity for a pamphlet or book of these rulings, or some means by which accountants could become possessed of authoritative information on the subject, and recently added to the enquiry an invitation to him to meet us again, at this convention, and give us a further address, or talk, on the subject. Owing, no doubt, to his being extremely busy with the new legislation, I have had no reply from him. Meantime, the increasing difficulty of following the changes in the Act accentuate the necessity for some reliable guide for the use of the profession and of the general public.

*Canadian Society of Cost Accountants.*—When the announcement was made some months ago that an Association of Cost Accountants had been formed in the United States it was thought to be wise to take similar action here, and a Dominion Charter was applied for by the presidents of the eight Provincial Institutes, who were the provisional directors or trustees. The organization has been carried to completion and the first annual meeting of the Society will be held on Wednesday evening.

*Joint Year Book.*—The question of a Joint Year Book to be used by the eight provinces, containing the Charter and By-laws, List of Members, etc., of the various Institutes, was left over from last year to be reported on by the Committee on Uniformity of Standards and Practice. Their conclusions will be laid before you.

*Legislation.*—The chief legislation which has been passed this year affecting our work as accountants has been: further amendments to the Income Tax Act and the Business Profits War Tax Act, and the Act imposing a Sales Tax and Luxury Tax in addition to the former taxation. These all tend to increase the responsibilities of the profession, and call for increased vigilance in preparation and scrutiny of the financial statements of our clients.

The General Accountants' Association applied to the Quebec Legislature for a Provincial Charter. The Bill was passed with the following changes:—

1. The name "Accountants' Association" was substituted for the name "General Accountants' Association of the Province of Quebec."

2. The initials "L.A." were substituted for the initials "C.P.A." (The "L.A." means "Licensed Accountant.")

3. The Incorporators of the Bill must obtain a certificate of competency either from McGill or Laval Universities before exercising their rights under the Bill.

4. In future all the examinations are to be controlled by the professors of McGill or Laval Universities.

A Charter was granted under the Dominion Companies Act to the Society of Incorporated Accountants and Auditors of Edmonton, Alberta. This being the exact title of a Society in London, Eng., the name was changed to "United Accountants and Auditors in Canada."

The proposal for a joint meeting with the American Institute of Accountants will again be up for discussion. The fact that both associations have fixed regulations as to their meetings seems to interfere somewhat with the proposal.

I commend such of these matters as require action to your careful consideration, always looking to the improvement of our professional standing and in full view of the best interests of the whole commonwealth, for we are citizens—I trust, worthy citizens—of no "mean country."

Let us quote from the address of Dr. E. T. Powell, editor of the "London Financial News," before the Empire Club here recently. He said:—

"Canada is undoubtedly destined to dominate the future in North America. Every climatic, political and psychological reason led me long ago to that conviction, and what I have seen in Canada during this fourth visit has only deepened my judgment on that point. But if Canada is destined to lead the North America continent, she is also destined to lead the world, or, in other words, to be the pioneer of future civilization. Canada's utilization of hitherto unyoked forces of nature, on the scale I have witnessed, is simply a flash of social genius, which I call Scientific Imperialism in the very highest sense."

If his estimate, his prophecy, be true, our profession needs to make every possible preparation for meeting its share in the growth and advancement of the nation.

ARTHUR C. NEFF,  
*President.*



CONSTITUENT SOCIETIES' ANNUAL REPORTS

QUEBEC

To the President and Members of the

Dominion Association of Chartered Accountants.

On behalf of the Association of Accountants in Montreal, we beg to present the Annual Report for the past year.

During the past Session of the Quebec Legislature, a Bill was presented for the Incorporation of a new Association under the title of "General Accountants Association of the Province of Quebec" members of which were to be entitled to the designation "C.P.A." We opposed the application, and our opposition resulted in practically all the objectionable features of the Bill being eliminated, the designation "C.P.A." being refused, "L.A." being granted instead.

During the year, a sub-committee of the Council was appointed to revise the By-laws. As soon as the recommendations of the Dominion Association on "Uniformity of Standards" are received, they will proceed with their work.

We regret to have to report the loss by death of two of our prominent members, Mr. George Creak, and Captain E. B. Savage, M.C., both of whom passed away during the past year.

During the year eight new members were admitted to the Association, and our membership now stands at ninety-three; of these eighty-nine are resident in Canada and therefore members of the D.A.C.A.

The Saskatchewan Institute has asked for an expression of opinion regarding the exchange of reciprocal privileges with the British Institutes. Our Association will support any movement in such a direction, but feels that it is not likely to be successful.

The question of the admission of Orientals was, at the request of the British Columbia Institute, considered by the Association, and the opinion was expressed that no reason could be seen why Orientals should be excluded from membership in the Canadian Institutes.

During the year, one Final and one Intermediate Examination were held, at which there were eleven candidates for the Final, and fifty-three for the Intermediate. Two of the candidates for the Final passed in all subjects; one in Practical subjects only, and three in Theoretical subjects only. For the Intermediate, thirty-four succeeded in passing in all subjects, and nineteen failed.

Following the recommendation of the Dominion Association, a "War Memorial Fund" was established by individual subscription amounting to \$1,050, the income from which will be utilized to pur-



chase prizes to be given to the candidates securing the highest number of marks in the examinations.

The attention of the Council was drawn to the proposed employment by the Dominion Government of firms outside of Canada for the purpose of reorganizing certain of the Government Departments.

Our Council sent a strong letter of protest to the Premier and others, taking exception to the action of the Government. Our Association is of opinion that some action should be taken to insure that all Government work of an accounting nature should for the future be entrusted to Canadian Accountants.

All of which is respectfully submitted.

JAMES HUTCHISON,

*President.*

R. WILSON, JR.,

*Secretary.*

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## ONTARIO

To the President and Members of the

Dominion Association of Chartered Accountants.

(1) On behalf of the Institute of Chartered Accountants of Ontario, we who have the honor to be its representatives on the Council of the Dominion Association, beg to submit herewith the following report of our Institute for the past year:—

(2) *Membership*—At 30th June last—the end of our Institute year—we had 235 Associate members and 35 Fellows, making a total membership of 270, of whom this Institute qualifies 190 for membership of the Dominion Association—the remainder being resident outside of Ontario. Our membership of 270 compares with 160 10 years ago—an increase of 68 per cent. in the 10 years. Amongst our losses may be mentioned that of the late Mr. Wilton C. Eddis who died November, 1919, Mr. Eddis was one of our oldest and most able members. The fact that the Ontario Institute is in such a favorable position to-day is in no small degree due to the early work of such members as the late Mr. Eddis.

(3) *Examinations*—The usual Annual Examinations were held in the month of May:—

For the Primary Examination, 111 wrote of whom 67 passed, 60%.

For the Intermediate Examination, 36 wrote of whom 20 passed, 55%.

For the Final Examination, 28 wrote of whom 18 passed, 64%.

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175

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105

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60%.

The total percentage of successful candidates, 60 per cent. this year and 71 per cent. last year, is an improvement on former years and is, in our opinion, in some measure due to the higher qualifying educational standard required and to the Rules that now require a minimum of at least four years in an Accountant's office—a longer period of service than obtained until a few years ago. At the last two examinations there were lady candidates. In 1919 there was one lady who sat for the Primary Examination and in 1920 one lady for the Intermediate. The English Institute of Chartered Accountants has admitted one lady to membership and, according to the last Annual Report, has registered Articles of Clerkship of five women. For the two yearly examinations held since the Peace, returned soldiers were allowed to sit for the Primary Examination (if education and other qualifications were satisfactory) without the Matriculation qualification that has been necessary for the past six years, and some 35 availed themselves of that concession.

(4) *Library*—Now consists of some 550 books and is increasingly used. For its maintenance the Council is asked for a yearly grant equivalent to \$1.00 per capitem of its Ontario-resident members, and this is sufficient to keep the library up-to-date in accountancy and the necessary legal books. The new Bankruptcy Annotated Reports have recently been added to the Professional magazines on the library table.

(5) *The Annual Meeting* was held at Toronto on Saturday, 17th July, at which there was a large attendance. Mr. R. J. Dilworth was re-elected President, Mr. Rutherford Williamson was elected First Vice-President, Mr. Arnold Morphy (who for 13 years has been Secretary-Treasurer) was elected Second Vice-President. Past President T. W. Sime was elected Secretary-Treasurer. Messrs. Neff and Pontifex were re-elected Representatives of the Ontario Institute on the Council of the Dominion Association and Mr. Dilworth retiring (after being six years as Representative), Past President Osler Wade was elected in his place. Messrs. Bunnell, of Brantford, Morris, of Peterborough, and Robinson, late of Toronto, now of Montreal (after respectively 13, 11 and six years on the Council) did not, to the regret of the members, stand for re-election, and Messrs. Higgins, Mulholland, of Toronto, and A. A. Crawley, of Ottawa, were elected with 12 members of the old Council. The average service on the Council of its present members is about six years.

(6) *Finance*—Our Institute now has an annual revenue of over \$7,800.00 and a surplus of over \$4,800.00.

(7) *Students*—The activities of the Students' Association de-



creased considerably during the war, but has been somewhat revised since then. The Council, for the first time, made the Students a direct monetary grant in aid of their funds, and contributions were also obtained from the different firms of \$10.00 for each of their Students attending the lectures. The status of the Students' Association is to receive further consideration this year, in view of the fact that many Students are depending on Business College Correspondence Courses as a means of preparation for their examinations.

(8) *Queen's University, Kingston*—During the past year this University instituted a Commercial Course, granting the degree of Bachelor of Commerce. The Council of this Institute, on consultation with the Professor, Dr. Skelton, agreed to admit such graduates as Students, waiving the Primary Examination and reducing by one year the requisite period of training in an Accountant's office.

(9) *Bankruptcy Act*—We have a Committee consisting of well-known Liquidators who are looking after Amendments and Rules and who have been given the opportunity of representing their views at Ottawa. The Institute, as an Institute, has taken no steps to have its members registered as Authorized Trustees, having left application to be made by individual members.

(10) *Tariff of Fees*—The Council appointed a Committee to consider the question of a Tariff of Fees and to that end sent out a questionnaire to all practicing members which will aid them in making their recommendations to the Council.

All of which is respectfully submitted.

BRYANT PONTIFEX,  
OSLER WADE,  
A. C. NEFF,

Representatives of Institute of Chartered Accountants of Ontario  
on Council of the Dominion Association.

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## MANITOBA

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To the President and Members of the

Dominion Association of Chartered Accountants.

The Institute of Chartered Accountants of Manitoba has the honor to submit to you the following report on its activities for the year 1919-1920:—

The membership of the Institute remains at the figure at which it stood when last reported—viz., 113. Six students, completing the



course of study and passing the Final Examination, have been elected to membership and one member has been received from the Institute of Chartered Accountants in England and Wales. On the other hand, there has been in the course of the year one death, that of Mr. John Scott, a member since 1906, and six withdrawals for various reasons. The membership is classified under the By-laws as follows:—

Class A 61 Principal of firms in practice.

Class B 19 Members employed.

Class C 29 Non-resident.

Class D 4 Honorary.

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Total 113

A rather significant change was made at the last Annual General Meeting of the Institute, held in June, 1920, in the By-laws governing the number and method of election of the Council. It was felt that the size of the membership now justified an increase in the number of members of the Council and this was raised from twelve to fourteen. At the same time always to insure a measure of continuity in the policy and work of the executive it was arranged that the members when elected should hold office for two years, half retiring each year. The Council for 1920-21 has been elected under the new system.

Two examinations in Accountancy for the students of the Institute have been held in the course of the year by the University of Manitoba, in the months of October, 1919, and April, 1920, respectively. The spring examination was considered to be a regular one and the other a special one, intended primarily to provide an additional opportunity for students who had lost time through military service to advance their standing and thus encourage them to take up and push forward again their interrupted preparation for the profession. It is proposed to repeat this special fall examination in 1920, and it may be found that the interests of the students will be served by the continued provision of the two annual examinations. A regulation permitting the granting of supplemental examinations in connection with these tests, under certain well defined limitations, is in force. We venture to submit the following statistics with regard to passes, conditional passes and failures at the examination, believing that they may be of interest to members of the Dominion Association who desire to study the operation of such a rule:—

## CONSTITUENT SOCIETIES

	Passing clear.	Passing with conditions.	Failing.
<b>October, 1919.</b>			
Final .....		1	1
Intermediate .....	1	2	
<b>April, 1920.</b>			
Final .....	2	5	7
Intermediate .....	8	2	11

The Manitoba Institute finds some satisfaction in the fact that it has now for several years been able to secure through the medium of the Provincial University, evening class instruction for its students during the winter months in practically all the subjects of its course of study. The further fact that the examinations are conducted by the University and that the University instructors are in most cases among the examiners, being associated for this purpose with other members of the profession who are not directly concerned with the instruction, insures that the examination papers, in their spirit and content, are related both to the class work on the one side and to the needs and demands of practice on the other.

The showing of the candidates at recent examinations and the nature of their answers, even where this is not fully reflected in the marks assigned, have led to a growing conviction on the part of the members of the Institute's Council that the period of service and study is inadequate to prepare the students to meet the test set for admission to the profession, and permission has therefore been secured from the last Annual General Meeting to increase the term of service from three to four years for all students registered after November 1st next. A tentative course of study for such students has been outlined as follows:—

For Intermediate Examination:—

First Year—Accountancy I., Commercial Law I., Business English.

Second Year—Accounting II., Auditing I., Commercial Arithmetic.

For Final Examination:—

Third Year—Political Economy, Commercial Law II.

Fourth Year—Accounting III., Auditing II.

Following up a suggestion made at the last Convention of the Dominion Association with respect to the provision by each Institute of an annual prize for award at its examinations to be known as the "War Memorial Prize," the Manitoba Institute decided to award two prizes at the Final Examinations to be held in April of each year—viz., a gold medal and books to the value of \$25.00 to the

student ranking first on the aggregate of all papers of the examination, and books to the value of \$25.00 to the student ranking second, the award to be made only where the standard attained is sufficiently meritorious in the opinion of the examiners, and only those writing on the Final Examination for the first time to be eligible to compete. Mr. T. Harry Webb, C.A., however, has requested that permission be given him to provide personally in perpetuity for a gold medal in connection with this award, and this offer has been gratefully accepted. It now remains for the Council to decide what other disposition, if any, it will make of the funds appropriated for this purpose.

The members of the Manitoba Institute desire to extend the warmest fraternal greetings to their brother members of the profession in Ontario who are to be the hosts on the occasion of the coming convention and to the delegates and visiting members of the other Canadian Institutes.

All of which is respectfully submitted.

FRED C. GILBERT,

*President.*

W. J. SPENCE,

*Secretary.*

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## NOVA SCOTIA

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To the President and Members of the

Dominion Association of Chartered Accountants.

On behalf of the Institute of Chartered Accountants of Nova Scotia we beg to submit the following report for the period of 1919-1920:—

The year just ended has been a normal one. Those of our members who have been engaged in active practise report an increasing business, and it is gratifying to note, from time to time, the additional number of individuals, firms and corporations who begin to realize that the service rendered by qualified accountants and auditors is a necessary adjunct to their business.

**Membership.**—This Institute now has thirty-eight members, distributed as follows: thirty-six in Canada, one in Newfoundland and one in India.

**Examinations.**—The annual examinations were held in May, entries for the several grades having been received as follows:—

	Entered.	Passed.
Preliminary .....	6	2
Intermediate .....	15	14
Final .....	2	1



Among the Intermediate candidates were several young men who had returned from doing duty overseas, and who had selected accounting for their vocational training.

*By-Laws.*—During the year it was considered necessary and desirable to revise the By-laws of the Institute, and after much hard work on the part of a special committee appointed for that purpose, the recommended amendments were presented at a special meeting of the Institute on November 18th, 1919, and adopted. The approval of the Lieutenant-Governor-in-Council was signed on December 10th, 1919.

The Institute is now authorized to grant a Diploma of Accountancy to successful candidates. An annual Certificate of Membership is also given to all members on payment of the yearly fee.

*Foreign Accountants for Government Work.*—We were glad to note the prompt action taken by the President of the D.A.C.A. when it became known that the Dominion Government had engaged the services of foreign experts to reorganize the Post Office and Customs Departments of the Dominion. This Institute placed itself on record by protesting against such procedure, on the grounds that Canada contained many firms and individuals to whom such work could be safely entrusted. The reply to our telegram to the Prime Minister was in the usual official form of letter and pointed out the necessity of passing over Canadian accountants and procuring the services of persons who had recently undertaken similar work in the United States and were therefore possessed of the required experience.

*Tariff of Fees.*—It has been found necessary for several of the Institutes to increase the fees for professional work, and this subject came up for discussion at our Annual Meeting in April. It was felt, in view of existing conditions, that members of the profession could not be expected to continue the tariff made before the beginning of the war. A revised scale of fees showing a reasonable increase was drawn up and adopted as the regular charges for professional work by members of this Institute.

*Legislation.*—No legislation of special interest to the accounting profession has been passed by our Provincial Parliament since the last meeting.

Respectfully submitted on behalf of the Institute of Chartered Accountants of Nova Scotia.

HAROLD T. JOHNSON,  
Vice-President.

H. D. CREIGHTON,  
Secretary.

## BRITISH COLUMBIA

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To the President and Members of the  
Dominion Association of Chartered Accountants.

We have the honor of submitting to you herewith a brief report covering the proceedings of the Institute of Chartered Accountants of British Columbia for the past year.

*Membership.*—The total membership is now 104, a net increase of two over the total reported a year ago. There has been admitted during the year nine new members, five qualifying by examination, and four by certificates from other Societies. The names of seven members have been removed from the list, one resigned, and six for non-payment of dues. Of the total membership fifty-nine members reside in British Columbia, nine elsewhere in Canada, and twenty-nine reside in Great Britain, the Colonies and in the United States. Seven members who went overseas during the war have not returned, nor have they advised the Secretary of their present whereabouts. Of the total membership, sixty-two are reported from this Institute as being members of the Dominion Association.

*Articles of Clerkship.*—On June 30th, the close of our fiscal year, there were 34 students serving under Articles, eleven Articles having been registered during the past year.

*Examinations.*—Two examinations were held, one in November, 1919, and one in May, 1920. Sixteen candidates sat for the examinations in November, of whom eleven were successful (four of these sitting for the Final Examination). Fourteen sat for the May Examinations, nine being successful of whom three were Final men.

It has been decided hereafter to hold only one examination annually, in the month of December.

*Finances.*—The Financial Report presented to the 15th Annual Meeting held on July 14th last showed that the Institute had a surplus of \$1,500.00 at June 30th, even though the past year's transactions resulted in a deficit. It has been decided to raise the annual dues of practicing resident members—this to take effect as from the 1st of February next.

*Legislation, By-Laws and Regulations.*—Following the report from our delegates, the By-laws of the Institute and the Regulations for Admission to membership have been revised in accordance with the recommendations of the Committee on Uniformity of Standards.

Special attention has been directed to the framing of Rules for professional conduct for the guidance of members.

The Council, after consideration of Clause 14 of the Dominion Bankruptcy Act providing for the appointment of Authorized Trustees,



suggested to the President of the Dominion Association that representation should be made to the Secretary of State that all Chartered Accountants, members in good standing of the Dominion Association, should, as such, be eligible for appointment without the necessity of giving references. The members at our Annual Meeting endorsed the action of the Council and requested the delegates to this Dominion Association Meeting to ask that efforts be made to have an amendment to that effect passed during the next session at Ottawa.

*Students' Society.*—The students' Society has been fairly well supported by the students and members during the past year. A room was provided for the students, the necessary furniture purchased and new books added to the library, and many of the members delivered lectures and addresses.

*Joint Year Book.*—The members at the Annual Meeting again endorsed the idea of a Joint Year Book being issued. This matter was referred at the last Dominion Association Meeting to the Committee on Uniformity of Standards for consideration and report. Our delegates were again instructed to ask for favorable consideration of this matter.

*Canadian Society of Cost Accountants.*—Our Council, after considerable discussion, agreed to join in the application for the incorporation of this Society, and Mr. G. E. Winter was appointed to represent this Institute on the Board of Trustees.

*General.*—The following were elected the representatives of this Institute on the Council of the Dominion Association for the year 1920-21: G. E. Winter, F.C.A., Vancouver, B.C.; Gordon Tansley, A.C.A., Montreal, Que.

During the year a request for information as to the admission to this Institute of a Japanese was received, also an application for information from an East Indian. It was decided to ask the Dominion Association for a ruling as to the admission to membership of any person other than a British subject.

The New Zealand Society of Accountants formally asked for reciprocity, submitting their Examination Papers, Year Book, etc. Information was received as to the standing of this Society from independent outside sources, and after careful consideration of the Examination Papers submitted, it was decided not to consider further reciprocity arrangements at the present time.

In reply to a wire from Mr. Neff, the President of the Dominion Association, a letter of protest was addressed to the Dominion Premier regarding the employment of an American firm of "Efficiency Engineers" for the reorganization of the Post Office and Customs Departments. Letters have since been received in reply from



the Minister of Labor and other members of Parliament which were mainly non-committal, save in the case of the Minister of Labor, who upheld the appointment in every way.

Our delegates have been instructed to ask that the Legislation Committee of the Dominion Association keep us informed of all Dominion Legislation effecting practicing Public Accountants, as, and when, passed.

This Institute extends a very hearty invitation to the members of the Dominion Association to visit British Columbia as the guests of this Institute in 1921—the place and dates of meetings to be decided later.

Respectfully submitted.

J. B. WOODTHORPE,  
*President.*

H. D. CHRISTIE,  
*Secretary.*

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## SASKATCHEWAN

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To the President and Members of the

Dominion Association of Chartered Accountants.

On behalf of the Institute of Chartered Accountants of Saskatchewan, we beg to submit herewith the following report on the Institute for the past year:—

The examinations held in April last by the University of Saskatchewan resulted in one passing the Primary, twenty-two the Intermediate, and ten the Final examinations. Supplementals were granted to five students taking the Intermediate and three students taking the Final Examination.

Our membership at the present time numbers 76, of which 64 qualify as members in the Dominion Association through this Institute.

The annual financial report presented at the last annual meeting showed a surplus of over \$1,100.00, which is considered most satisfactory.

The report on Uniformity of Standards by the delegates to the last Dominion Convention was given careful consideration by the members, and instructions were given the Council to make the necessary changes to bring the Saskatchewan By-laws into line with the report as nearly as possible.

A committee was appointed to confer with the University authorities with reference to proposed changes in the C.A. examinations. The changes adopted call for more practical work in the examinations, and are thought to be an improvement. In connection with the same, it is intended to publish a law pamphlet which will contain all the statute law considered necessary for a student in accountancy.

The Council is attempting to gather information relative to Federal Taxation which will be sent out to the members in a monthly letter.

Students' Associations have had a very successful year in this Province, the lectures arranged being of high order, and more than passing interest was taken by the members. The success of these Associations was largely responsible for the good showing made at the examinations.

B. R. MASECAR,  
*President.*

T. LAX,  
*Secretary.*

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## ALBERTA

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To the President and Members of the

Dominion Association of Chartered Accountants.

During the year 1919-20 there has been added to the membership of the Institute of Chartered Accountants of Alberta:—

Admitted by examination, 1920 .....	4
By registration from sister Institutes .....	2
	—
Total .....	6

In our last Annual Report our membership was 66, of whom 57 were qualified from Alberta as members of the Dominion Association. At present we are able to report 70 members, of whom 55 are qualified from Alberta. The attractive offers coming from Chicago, Detroit and New York for younger members of our Institute have caused the removal of several, which accounts for the fact that, although our membership has increased, we qualify two less for the Dominion Association than we had twelve months ago.

*Examinations.*—At the annual examinations in May there were 17 candidates for the Intermediate and 14 for the Final Examinations. Of these 8 passed the Intermediate and 4 passed the Final.

There were also granted supplementals to 6 candidates in the Intermediate and 6 to Final candidates. We are still finding that the arrangement for supplementals, which was instituted last year, has worked out satisfactorily.

*Lectures.*—In addition to work which was done by the Students' Associations in Calgary and Edmonton by way of discussions and gatherings for study, there has been conducted during the past year a regular course of lectures for Intermediate candidates and a separate course for Final candidates at the University of Alberta. Students who were registered for these courses found them very helpful in making preparation for their lifework as well as for their special tests.

*Articled Students.*—During the year 8 students have registered articles with the Institute and are serving their time in various offices of Chartered Accountants.

*Uniformity of Standards.*—Our Council has done further work in connection with the report which occupied so much of the attention of the last Dominion Convention, and has submitted its findings in detail. They found themselves substantially in accord with the report, although differing in some fairly important details which our representatives will be ready to discuss at the present Convention.

*Libraries.*—Libraries for the use of members and students at accounts are maintained in both Edmonton and Calgary. The Institute votes \$50 each year to each of these libraries, to be used at the discretion of Library Committees representing both members and students. In addition to this the students of both cities have turned in smaller sums of surplus funds which they have had from time to time.

*Tariff of Fees.*—Last year we reported a Tariff of Fees which was under consideration. The necessary two-thirds vote has now been received for placing this matter before the Lieutenant-Governor-in-Council for approval as provided in our charter. The Council, however, has felt that we should not be content with a bare two-thirds, and has corresponded with other members whose votes had not come in, with the result that with two or three exceptions the entire membership has approved of the proposed tariff. At next meeting of the Council, it is probable that some action will be taken toward submitting the tariff to the Lieutenant-Governor-in-Council.

*Expenses of Delegates to Local Annual Meetings.*—An interesting discussion came up at our Annual Meeting as to paying travelling



## CONSTITUENT SOCIETIES

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expenses for members attending the local annual meeting. It was finally decided that it was unwise at present to incur the additional expense.

*Representatives to the D.A.C.A.*—In order to provide a certain desirable continuity, and at the same time to pass the honors along, it was decided at our last Annual Meeting that as a general rule the representatives of this Institute to the Dominion Convention should be the retiring President and the incoming President.

The officers of the Institute elected for the year are:—

Ed. D. C. Thomson, President, Edmonton; F. M. Harvey, First Vice-President, Calgary; M. C. McCannel, Second Vice-President, Edmonton; Cecil E. Race, Secretary-Treasurer, Edmonton. Councilors: J. A. Henderson, Edmonton; J. B. Sutherland, Calgary; W. H. A. Thompson, Calgary. Auditor: H. O. Patriquin, Edmonton.

All of which is respectfully submitted.

ED. D. C. THOMSON,  
*President.*

CECIL E. RACE,  
*Secretary.*

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## NEW BRUNSWICK

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To the President and Members of the

Dominion Association of Chartered Accountants.

The undersigned fully intended to join with you at the Annual Meeting in the city of Toronto on the 14th inst, but, owing to sickness, will not be able to attend. This he regrets very much.

Our Institute is making slow but steady progress. The annual examinations were held as usual in the month of June last, with a goodly number in attendance. Our membership has increased by two since last report, Mr. Harry G. Hobden, of Fredericton, a member of the Nova Scotia Institute, and Mr. J. C. Pitt, of the city of St. John, who passed his Final Examination in June last, having joined us. Wishing you every success.

Respectfully,

W. A. LOUDOUN,  
*Secretary.*

**DOMINION ASSOCIATION OF CHARTERED ACCOUNTANTS'  
REPORT OF COMMITTEE ON UNIFORMITY OF STANDARDS,  
PRESENTED AT THE ANNUAL MEETING, HELD IN  
TORONTO, SEPTEMBER 14th, 15th & 16th, 1920.**

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**T**HE Committee upon Uniformity of Standards upon a further reference of the subject to them by the Annual Meeting of the D.A.C.A. held at Winnipeg in September, 1919, prepared and submitted for the approval of the Constituent Societies, through their representatives upon the Council of this Association, a tentative list of recommendations. These and the views thereon put forward by the Societies were considered by the Annual Meeting in September, 1920, and with certain amendments were adopted. They are now reported back to the Provincial Societies with the request that effect be given thereto as far as possible, in their By-laws respectively. The recommendations are:—

1. The Comparative Table of Standards submitted to the annual meeting has been revised and reprints of same accompany this memorandum. Subject to further correction, this Table will indicate the position of each Society under their charter and by-laws respectively. It may be noted, however, that the procedure of some Societies in certain important respects is not wholly determined by their by-laws but to some extent by rules of Council and Committees, which have not the value of by-laws. It is recommended that in so far as such procedure has to do with subjects upon which there should be substantial uniformity, expression should be given to the same by by-law, and that in the general information furnished by the Societies respectively for the guidance of candidates and others, reference should be made to the supporting by-law.

2. The subjects upon which uniformity among the Societies is desirable fall into two general categories:—

- 1st. Those of primary importance, having regard to the reciprocal privileges between Societies, which premise a common view of the qualifications which a Chartered Accountant should possess, and

- 2nd. Those of secondary importance which comprise substantially what does not come within the first category.

The first step to be taken by the Committee would therefore seem to be to define the subjects which fall within the first category and obtain from the Societies substantial concurrence therewith.

The view of the Committee would be that the subjects in the Table numbered 1, 2, 3, 4, 11 and 12 are those upon which the Societies should prescribe an uniform minimum requirement. Upon subject numbered 8 there should be uniformity among those Societies which have the authority under their charter to confer Fellowships, and similarly upon subject numbered 9 there should be uniformity among those Societies which have the power to admit persons, not necessarily Accountants, to Honorary Membership.

3. Assuming concurrence as indicated, the subjects included in category 1 may be considered in their details:—

Subject 1. It is recommended that the by-laws of the Societies prescribe three successive tests as a precedent to obtaining membership. A Primary or Preliminary (Subject 2) which shall be an agreed standard of general education not necessarily conducted by, or especially for, the purposes of the Society. The purpose of such test would be to conserve the status of Accountancy as a learned profession, wherein is implied both a technical and a sound general education. It would be sufficient compliance on the part of a candidate for membership that he satisfy the Council of the Society by undoubted independent evidence that his general education had proceeded to or beyond the prescribed minimum.

By-laws dealing with Primary Examinations should define them as being Educational in their character.

An Intermediate (Subject 3) which should chiefly be directed to testing the candidate's knowledge of Accounting but might include subjects of general education in the event that some doubt had arisen as to the sufficiency of the evidence thereon and a Final (Subject 4) which should be exclusively a test of the candidate's progress in technical knowledge to a point where he could safely be given the right to use the designation "Chartered Accountant." The tests (3) and (4) should be conducted by, or especially for the purposes of the Society, and the examiners should be practising Chartered Accountants, excepting, that in Law, Mathematics, Actuarial Science, Economics and General Educational subjects qualified persons other than Chartered Accountants might examine.

4. The Primary. It will be noted by reference to the Table that the tests which might be deemed equivalent to a Primary Examination are stated indefinitely, excepting by Ontario (inferentially) and Manitoba. The former has prescribed a more onerous requirement, which therefore includes the less. The Committee recommends that the Societies uniformly prescribe Arts Matriculation as the minimum



of equivalent to the Primary, and at the same time points out the desirability of providing special facilities for persons unable by means of certificates to satisfy the Council on the subject of their general education, who appear to be in other respects desirable. There should be a disposition evidenced by the Societies to minimize the hardships which would otherwise occur. Those Societies whose by-laws prescribe or authorize a Primary Examination but provide no facilities therefor, should definitely so declare, or in the alternative eliminate references thereto. In the event that facilities are provided the equivalents should be included in (e) the category of exemptions. The Committee deem it of first importance that persons accepted for or exempted from the Primary should be (b) bona fide residents in the Province over which the Society exercises jurisdiction, and that the by-laws should so provide. They deem it highly desirable that there should be an (a) age requirement and that it should not be too low. This, however, bears more directly upon requirements for Intermediate candidates and will be referred to later. Upon subheads 2 (c), (d), (f), (g) and (h) the Committee do not desire to lay emphasis at the present time.

5. The Intermediate. The Committee considers that there should be substantial uniformity among the Societies in all the subheads of Subject 3 of the Table, and recommends for the consideration of the Societies the following:—

(a) Minimum age 19 at time of writing upon the examination.

(b) Residence within the Province at time of and six months prior to writing upon the examination.

(c) Holder of Certificate of Arts Matriculation, or equivalent, or Certificate of Primary of any Registered Society.

(d) Service of one full year with a practising member of a Registered Society or three years as a public accountant.

(e) Holder of Certificate of Intermediate of any Registered Society or five years as a public accountant.

(f) Consideration deferred pending further discussions by annual meetings.

(g) Fifty per cent. on each paper, and sixty per cent. aggregate marks required to pass, papers to be set with due regard thereto.

(h) Minimum of \$10, beyond that to be optional, regard being had to local situation.

## UNIFORMITY OF STANDARDS

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Commenting on the foregoing, the Committee believes it will be a sufficient reason for their view if they suggest that it is on all grounds desirable that a person seeking admission to membership should have no opportunity afforded to him for obtaining it under conditions more favorable to himself through a Society other than the one having jurisdiction where he resides. Evident agreement between the Societies upon all points must moreover enhance our standards in the estimation of non-Canadian organizations.

6. The Final. The Committee considers that in subject 4 also there should be substantial uniformity among the Societies and for the same general reasons, which, however, receive added emphasis from the fact that the Final Examination is the last opportunity afforded to a Society to determine the candidate's qualifications, and further, because once the candidate is accepted for membership, every other Society becomes potentially interested in such member by reason of their reciprocal membership understanding. The Committee recommends for the consideration of the Societies the following:—

(a) Minimum age 21 at time of writing upon the examination.

(b) Residence within the Province at time of and six months prior to writing upon the examination, provided, however, that a candidate be permitted to write in the Province where he may have completed his Articles notwithstanding actual non-residence.

(c) Holder of Certificate of Intermediate of any Registered Society, earned within five years preceding.

(d) Service of three full years with one or more practising members of any Registered Society or five years as a public accountant; or alternatively, the fair equivalent in the event that both service and practice is claimed.

(e) Members of any Registered Society, certified in good standing at time of application, and evidence that such member has status, either by himself or as a partner in a firm, practising within the Province.

(f) Consideration deferred pending further discussions by annual meetings.

(g) Fifty per cent. on each paper and sixty per cent. aggregate marks required to pass, papers to be set with due regard thereto.

(h) Minimum of \$20, beyond that to be optional, regard being had to local situation.



The Committee considers that the requirements in (a), (b), (c) and (d) are not alternative but cumulative. They further consider that each Society should interpret the value of military service as service under the by-laws, according to the local undertakings given in that regard, but without embodying the same in their by-laws, owing to their temporary nature. They further consider that as a precedent to being permitted to write upon the Final Examination the applicant should give an undertaking that he will complete the act of membership, if successful, whenever so required.

7. The Committee believes that it is at least due from each Canadian Registered Society to all the others that the Societies included in its list of Registered Societies be mentioned by name, so that such other Societies may not be rendered liable to an obligation to receive as members at any future time, persons who have obtained membership in another Canadian Society upon qualifications not commonly recognized. The list furnished by the British Columbia Institute in the Table is (with the addition of its own name) the full list thus far recognized, and the Committee recommends its adoption accordingly. The Australasian Corporation of Accountants will be listed when the respective Societies announce the adoption of the recommendations made at the last annual meeting.

8. The Committee believes that uniformity should exist upon Subject 12 and refers to its recommendations upon Subject 4 (e) in paragraph 6 hereof.

9. The Committee recommends upon Subject 8 as follows:—

- (a) A minimum age of 30 years.
- (b) In practice when degree conferred and for five years immediately preceding; or by vote of Fellows or members for exceptional services.
- (c) Membership for five years.
- (d) Residence within the Province, otherwise consent of Society in Province wherein he resides.
- (e) Minimum of \$50.

The committee further recommends that the degree of Fellow be not conferred by a Society upon a non-resident member unless there is concurrent action by the Society having jurisdiction where such member resides or unless with the approval of such Society.

The Committee further believes that age, practice, and residence alone should not entitle a member to a Fellowship. There should be evidence also of distinctive merit.



10. The Committee believes that Honorary Membership should confer no privileges other than that of stating the fact of Honorary Membership and the reason thereof.

11. The Committee believes it not desirable to encumber their report with recommendations upon subjects included in the second general category while those in the first category are pending. Nor do they venture to make any recommendations with regard to subjects 3 (f) and 4 (f) at the present time, believing that they have not sufficiently before them the views of the Societies respectively.

Respectfully Submitted,

W. A. HENDERSON.

GEORGE EDWARDS.

Amended as above and adopted September 15th, 1920.

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### SYSTEM BETTER THAN RUSH

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A great many pretty mottoes have been written about hard work being the key to success. Hard work alone never put any man anywhere excepting in a premature grave, or in the hands of a stomach specialist, says "Thrift Magazine." The man who fumes and explodes and eats his lunch with his watch on the table is cheating himself out of many a good year of active service.

Careful planning and system will do more towards boosting you along to the goal of your ambitions than four-minute meals and a sincere endeavor to do three things at the same time. The men who really accomplish the most seem to be the least hurried and the least busy. It's the non-skid fellow who succeeds every time. The powerful engines that drive the mighty Leviathan across the stormy Atlantic make less fuss about their work than the little asthmatic peanut roaster on the corner that coughs to death every time a strong wind blows.

Poise and deliberation will do more for you than excessive perspiration and a sour stomach. In 50 years from now the world will have forgotten whether you partook of your noontime repast sitting down or on the run. No character of modern times has accomplished more than Marshal Foch, yet he is described as a man who never seems to be hurried, overworked or behind schedule. It is inconceivable that he could have succeeded in his tremendous undertakings if he had not, first of all, understood the value of getting himself systematized on a non-dyspeptic and unexplosive basis.

## AUDITING\*

BY W. H. HENDERSON, A.I.C.A.

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THE object of my lecture this evening is to assist the students in coming to a fuller appreciation of those more important matters which an auditor is called upon to investigate in the course of his professional duties.

I feel that an honor has been conferred upon me in asking me to address the students of this Society on the eve of the Final Accountancy Examination of our Institute, the standard of which is one of the highest in the accountancy world of the present day.

### Auditor's Qualifications

1.—A thorough knowledge of accountancy and bookkeeping in all its branches.

2.—A knowledge of how various businesses are conducted is also valuable.

There are also other valuable qualifications, such as a sound business training, integrity, alertness, and sound judgment.

A certain amount of legal training might also be included as a valuable qualification for an auditor, in view of the decisions given from time to time in our courts on matters of account, but an auditor could hardly be held liable if he failed in his duties owing to insufficient legal training. But he should have a thorough knowledge of the various statutes affecting accounts, such as the Companies Act, Insolvency Act, and the law relating to the duties of trustees under wills.

He should be capable of weighing facts, and dealing with matters requiring the exercise of great tact and patience. He is often called upon to give his decision upon matters in dispute between partners.

The auditor should go about his work in as quiet a manner as possible, and when he has discovered fraud, he should endeavor to conceal the fact until the proper time.

Sometimes the auditor finds officials who are eager to supply him with information concerning the accounts, but the auditor is best left alone at his duties, and frequently he deems it advisable to treat the interference by the officials with a certain amount of suspicion.

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\*Lecture delivered at the meeting of the Incorporated Accountants' Students' Society, Victoria, on Wednesday, 18th September, 1918.

He should not be too eager to give advice as to how the books should be kept, for this does not form part of his duty as auditor, but if he finds that the books have been kept in such a way that they do not show the true financial position of the company then he should call the attention of the directors to any matters which he considers unsatisfactory, and if they decline to alter same, he should acquaint the shareholders with the fact.

### Liabilities of an Auditor

The auditor must use skill in the performance of his duties, such skill as it is presumed auditors possess. If he fail to discover errors which an ordinary skilled auditor would have discovered, then he will be liable.

Where a matter arising in connection with the accounts involves a question of law, then the auditor could not be held liable unless such matter is contained in the various statutes affecting accounts, such as the Companies Act, Partnership Act, Insolvency Act, and the law relating to trusts and trustees, with which he should be familiar.

An auditor does not guarantee that the Balance Sheet and accounts examined by him are correct, but that after careful examination he is of the opinion that the accounts to which he has attached his certificate are a true and correct statement of the financial position of the company. He has nothing whatever to do with the manner in which the business of the company is conducted, so long as none of the transactions are *ultra vires*, this being solely in the hands of the directors.

As to whether an auditor could be held liable for not having discovered a skilfully laid plan of fraud will depend upon the circumstances of the case. If by the exercise of reasonable skill such fraud could have been discovered, then he would be liable.

In a continuous audit a much more detailed examination is possible than in the case of a continued or completed audit, and greater opportunities are afforded the auditor for detecting errors, consequently much more will, therefore, reasonably be expected of him.

Sometimes an auditor is asked to make an audit in certain directions only; this, of course, can only be done in the case of a sole trader or partnership, for in a limited company the audit must be a complete one. If the auditor is asked to examine certain matters only, then he should request his client to give him his instructions in writing, and in his certificate state the extent of his audit, and mention that same is in accordance with instructions received, for if he were to give a certificate stating that the accounts were correct when he



had only made a partial audit, he may be held liable to persons who relied on his certificate, such as bankers, etc.

As to how far the auditor should carry out research work will depend upon the individual case. Where a good system of internal check exists, the work of the auditor is lessened to a great extent, and he can confine his attention to items of major importance and leave those of minor importance to the system of internal check.

He should investigate the system to see if it is being properly carried out, and if he finds items which he has checked at random to be correct, he may reasonably assume that items of a like nature are correct also. If he finds that the system of internal check is weak in any particular direction, then he should make a thorough investigation in this direction, and satisfy himself that everything is correct before proceeding further. Of course, it could not be expected that the auditor should make a complete examination of every item in the books, especially where the transactions are very considerable, owing to the limited time at his disposal, but as to how far he shall go will depend on how he finds things.

### Balance Sheet

It is not part of the auditor's duty to prepare the Balance Sheet, such being the duty of the directors and manager, but sometimes in the case of a sole trader or partnership it forms part of his appointment.

The auditor should satisfy himself that the Balance Sheet presented to him by the directors is drawn up so that it correctly represents the financial position of the company, and if it does not, then he should inform the directors of any defects and request them to alter same; but if they decline to do so, then he has no power to compel them, nor to alter it himself, but it is his duty in such case to acquaint the shareholders with any matters that do not meet with his approval.

The words "To" and "By," also "Dr." and "Cr." are sometimes found on the Balance Sheet; these should be omitted, as the Balance Sheet is not a Ledger Account, but a financial statement extracted from the Ledger.

A matter of importance is the order in which the assets and liabilities should appear on the Balance Sheet.

In the case of a limited company, on the liabilities side, the capital should be placed first, then debentures, reserve fund, creditors, bills payable, etc., and last the Profit and Loss Account balance. On the assets side such assets as investments, buildings, and plant should

appear first, then floating assets, such as book debts, bills receivable, cash, stock-in-trade, etc., preliminary expenses and Profit and Loss Account balance (representing a loss) last.

In the case of a sole trader or partnership the liabilities first to be met should be placed first, such as bank overdraft, sundry creditors, bills payable, and the Capital Account last. On the asset side those assets most readily convertible into cash should be placed first, such as cash in hand, cash and bank book debts, bills receivable, stock in trade, and then such items as goodwill, etc.

It is considered by one writer that the words Assets and Liabilities should be omitted from the Balance Sheet, as the Balance Sheet usually contains other items in addition, such as preliminary expenses, profit and loss balance, reserves, etc., but he does not suggest a substitute, and in my opinion the words "liabilities and assets" are preferable to no headings at all.

### Capital and Revenue

It is of utmost importance to distinguish between capital and revenue receipts and expenditure.

Capital income consists of the amounts received from shareholders, debentures, also from the sale of assets. Whereas revenue income consists of the earnings of the business, capital expenditure may be defined as expenditure for which value remains as distinguished from revenue expenditure, for which no value directly remains.

Revenue expenditure consists of the sums expended with a view to earning revenue, and for which no value directly remains.

If I repair my machinery merely to replace it in the same state as it was originally, this is revenue expenditure, but if I add to same or otherwise make it more revenue producing, then this is capital expenditure.

If, however, whilst replacing any portion that has become defective I make its earning capacity greater or increase its market value, then the difference between what it would cost to replace it as it was before and the amount now expended is capital expenditure.

In regard to this matter the auditor has very important duties, he should see that the distinction is properly preserved, otherwise a payment out of capital will result.

The auditor must to a great extent rely upon what is told him, but he should satisfy himself that the explanations given are correct. In regard to repairs and additions to plant and machinery, the auditor should obtain statements from the works' engineer as to whether such expenditure is repairs or additions. He should peruse the invoices



for materials, etc., purchased. Where the work has been carried out by the company's own workmen, then the auditor should examine the Wages Books, and see particulars of the work done, also obtain certificate from the works' foreman as to materials used, etc.

### Goodwill

May be defined as the price paid for a business in excess of its tangible assets. It is in regard to this item that the auditor may give the least attention to any in the Balance Sheet, its continued appearance in the Balance Sheet being solely in the discretion of the management; but if he is asked to make any suggestions regarding it, then he should advise that the goodwill be written down by an appropriation of ascertained profits during prosperous years, the instalments depending on the profits earned.

The instalments written off the goodwill should not be a charge against profits, as such are not an expense in earning profits.

This item usually makes its appearance on the acquisition of a business, its conversion to a limited company, or on the admission or retirement of a partner.

It is in most instances based on the profits earned, is valued at so many years purchase of the average profits for a period of years, say from one to five years.

In determining the present value of the goodwill of a business other factors should also be considered, such as the personality of the retiring partner or owner, recent opposition, expiration of patents, etc.

Goodwill is an intangible asset, as apart from the business it is valueless. Should the auditor find that the goodwill has been written up in the books, then he should advise the directors against such procedure, as in doing so it is a sign of financial weakness rather than one of prosperity.

Should such appreciation be taken credit for in the Profit and Loss Account, then the auditor should call the attention of the shareholders to the fact, and state to what extent the profits have thereby been increased. He should see that no items of revenue expenditure have been debited to Goodwill Account.

### Reserve and Reserve Fund

A reserve is an amount charged against profits to provide for a loss, such as depreciation, reserve for bad debts, etc. Whereas a reserve fund is ascertained profits set aside and invested either in the business or in sound securities outside the business, such as Govern-



ment debentures, etc. The Companies' Act, 1915, provides that the Balance Sheet shall state whether or not such reserve fund is used in the business, and if any part thereof is invested in outside securities, it should state the amount so invested.

There is a difference of opinion among accountants regarding the distinction between a reserve and a reserve fund.

Some are of the opinion that a reserve fund strictly so called should be invested outside the business, and if invested in the business is not a reserve fund, but a reserve. It is also stated that whether a reserve fund should be invested in the business, or in outside securities, depends upon the financial position of the company.

If the company had an overdraft from the bank, then it would be bad finance to invest the reserve fund in outside securities, as the rate of interest earned would probably be less than that paid on the overdraft.

It is further stated that if a reserve fund be invested outside the business it will not earn as much income as it would if invested in the business, but the fact must not be overlooked that in investing the reserve fund in the business we may not be able to place our hands on the money when required, and in creating a reserve fund we expressly declare that this is our intention.

A reserve fund when invested in the business becomes subject to loss like ordinary capital.

The auditor should carefully examine the reserve fund, and see that the securities for same are in order. If they have depreciated, then the fund should be correspondingly reduced. If the reserve fund has been created for a specific purpose, it should be so stated in the Balance Sheet. Subject to the articles of association, the directors have discretionary powers regarding the creating of reserves, but the auditor should see that they have used such powers with proper discretion and in the best interests of the company.

The reserve fund when invested outside the business should be invested in those securities mentioned in the articles of association, but if none are mentioned, then in those securities authorized by the Trusts Act, and in the names of duly authorized trustees of the company.

### Depreciation

This is the decrease in the value of an asset owing to wear and tear or effluxion of time.

Depreciation may be provided for either by writing down the original cost of the asset by annual instalments over the term of its

life, having regard to any residual value which may then remain, or by a re-valuation for each Balance Sheet.

The more suitable method to adopt will depend upon the nature of the asset. In the case of buildings, plant and machinery, etc., it will be found advisable to write down the original cost by annual instalments over the term of its life, having regard to its residual value. Whereas in the case of patterns, loose tools, etc., a re-valuation will be found more accurate.

The objection to a re-valuation of such assets as plant and machinery is that the charge for depreciation would, no doubt, be uneven, owing to fluctuation of the market value of such asset from time to time, and it is very undesirable that fluctuation should be allowed to interfere with depreciation.

There are, however, instances when plant and machinery are best re-valued, for example, in the case of contractors who have undertaken large contracts necessitating the employment of extensive and valuable plant; in this case the plant is charged to the job and credited back at a valuation, when no longer required for such work or the contract is completed.

The Plant and Machinery Account is frequently found to include quite a number of assets, the life of each varying considerably, and if one rate of depreciation be fixed for the whole account, the result will probably prove unsatisfactory. I would, therefore, recommend that separate accounts be kept for various assets, e.g., boilers, shafting, engines, etc.

In the case of engines the rate of depreciation to be charged depends greatly on the usage, etc., of same, and will be found to vary from, say, 5 to 15 per cent., and in the case of boilers the rate will probably be from 10 to 20 per cent., other plant even higher.

There are various methods of providing for depreciation, such as the "fixed instalment" method, "fixed percentage" method, "annuity" and "sinking fund" method. As to which method should be employed will depend upon various circumstances, such as the value of the plant and the life of the plant, etc., also cost of repairs and renewals.

It is not part of the auditor's duty to interfere with the method adopted by the management in providing for depreciation so long as it is on sound lines.

A limited company is not legally bound to provide for depreciation of fixed assets, unless the articles of association specially provide, but where no depreciation is provided for the auditor



should see that the fact is made clear in the Balance Sheet, and, if not, he should call the attention of the shareholders to the fact.

Depreciation is frequently written off the balance of the account at the beginning of the year, and nothing off additions during the year. Sometimes off the balance at end of year, but I would recommend that depreciation should be written off the balance of the account as at the beginning of the year and half rates of additions during the year, if same averaged about the middle of the year, provided they are numerous. The objects of providing for depreciation are:—

- (1) That the Balance Sheet shall show the present value of the assets.
- (2) To provide funds for replacing the assets at the expiration of their life, otherwise it will be necessary to raise fresh capital.
- (3) As the depreciation of those assets which have been used in the business is undoubtedly an expense in earning such profit.

Depreciation may be provided for either by debiting Profit and Loss Account and crediting the Asset Account, or by debiting Profit and Loss Account and crediting a Depreciation Reserve Account. This latter method is more suitable where additions are likely to be numerous, also when the accounts are kept on the double account system.

*Obsolescence.*—This is where machinery has become obsolete by new and improved inventions coming into the market. It is almost impossible to provide for such, and when it does occur it is best written off to Trading Account over a period of years, if the amount be large.

The auditor sometimes finds directors who argue that depreciation need not be provided for as they keep the machinery in a proper state of repair; but this is wrong, for there must come a time when such machinery will be valueless in spite of constant repairs.

They also argue that no depreciation is necessary as the value of the plant and machinery has gone up, but the market value does not prevent machinery from wearing out, and as the market value has increased so it may decrease. If a company were to provide for depreciation according to the market value, then the charge to Trading Account each year would be unequal, and, further, the asset may stand at more than its break up value at the end of its life.

It is advisable that occasionally the value of the assets be reconsidered, and, if necessary, the rate of depreciation altered.



### Wages

It is of great importance that a proper system of paying wages should exist, as a loose system offers facilities for extensive frauds. The auditor should ascertain the system in use, and check some of the payments at random, to see if the system is being properly carried out.

It is not customary in large works to obtain receipts for wages paid, which consequently renders the auditor's work more difficult. He should ascertain if the employees are supplied with time books or cards on which to enter particulars of work done and time spent on same. These books should be seen and checked by the auditor. The foreman or works manager should keep a rough wages book in which he should enter particulars of time worked by the various employees, and from this book and the time cards the wages book written up by the wages clerk. The rough wages book should be compared with the time books or cards, and any differences inquired into and adjusted. The auditor should attend on a pay-day and watch the system adopted in paying the wages.

It is advisable that the manager or the accountant occasionally pay the wages; this would detect fictitious payments made.

If the works be in another State, then the auditor should require that the wages paid be certified to by the manager and the cashier at the works, and if there be a local auditor, his certificate should be seen.

I would recommend the system of paying wages under which each workman's wages are placed in a small tin, and handed to him by the cashier or wages clerk. this being preferred to the envelope system, first on the ground that cases occur when workmen tear off the top of the envelope, and, in throwing same away, sometimes lose part of their wages, which may have got into a corner of the envelope, also sometimes they do not open the envelope in the presence of the wages clerk, and next day may complain of being short paid. Secondly, on the grounds of economy.

### Fraud

Where a good system of internal check exists the opportunities for fraud are to a great extent lessened, and when it is discovered the auditor usually finds that more than one person is concerned. In a business where only one person has charge of the books, combining the duties of cashier, ledger-keeper, etc., the opportunities for misapplying funds and falsifying the accounts are numerous, and it is in this case that the auditor should be on the alert.

For instance, the bookkeeper may receive an amount from a customer and not enter it in the Cash Book, and leave the customer's account open. This the auditor may detect by noting how long the debt has been owing, or if the book debts show a larger percentage compared with previous years; or, if he suspects fraud, then by communicating with the debtor either personally or by letter.

Cases are also common where goods sold have never been charged to the customer, and, when paid for, the cash misapplied. If this practice has been carried out to any extent, the auditor may discover same by comparing the turnover with that of previous years, also the percentage of gross profit would be reduced.

Wages also offer great opportunities for fraud, and if fraud has occurred in a manufacturing business in nearly every case it will be found in connection with this item. Fictitious persons being created, or wages drawn for workmen after they have left the employ, incorrect rates of pay, and false claims for overtime being some of the methods adopted.

In order to detect fraud of this description it is necessary that the auditor should examine carefully the system of paying wages, and the check payments at random.

Cash sales also offer facilities for fraud, for where the person in charge of the cash sales is allowed to give receipts from invoice forms or the like, it is very difficult to ascertain if all moneys received from cash sales have been accounted for. Where duplicate receipt books are used the temptation is lessened, and facilities for detection given. If, however, the auditor suspects fraud, and no duplicate receipt books are used, then a test should be applied by sending a person with a marked coin to make a purchase.

The instances of fraud mentioned above are those involving the actual abstraction of money, which, if they have occurred, will usually be found to have been committed by the officers of the company. But fraud may be in other directions also, not involving the actual abstraction of money, and is generally found to have been committed by the directors and manager of the company, the following being some of the items which may have been manipulated—namely, the stock on hand at the end of the period under review may have been overvalued for the purpose of making the profits appear more than they actually are, also to conceal any material wastage that may have occurred in connection with the stock. Insufficient provision may have been made for bad debts, also for depreciation of assets. Assets may have been grouped in such a way in the Balance Sheet so as to mislead the shareholders as to the true financial position of the company.

In regard to these items the auditor has the same duties to perform as in the case of fraud involving the actual abstraction of money, he should go fully into the matter and report same to the shareholders in writing.

### Cost Accounts

I propose to deal with the principles of Cost Accounts, which are applicable to all industries, but the details vary according to the industry for which they are required.

Cost Accounts are kept by manufacturers and contractors for the purpose of ascertaining the cost of any particular article manufactured or contract undertaken. Also for:—

- (1) Detecting waste.
- (2) Reference for future tendering.

They come under various headings, such as:—

- (1) Contract costs.
- (2) Multiple costs.
- (3) Process costs.

Contract costs are kept by contractors to ascertain the cost of the various contracts undertaken, a separate Contract Account being opened for each. These Contract Accounts are virtually Trading Accounts in respect of each contract, and take the place of the Trading Account of a trader. The expenses being debited to the contract and the account is credited with the total contract price, the difference in the account being the profit or loss as the case may be on the contract, which is transferred to Profit and Loss Account.

Multiple costs are kept by manufacturers to ascertain the cost of numerous articles manufactured, a separate Cost Account being opened for each article.

Process costs, to ascertain the cost of the various processes of manufacture.

It is seldom found possible to make the Cost Accounts part of the double-entry system, except in the case of building contractors, etc., as it is almost impossible to obtain Cost Accounts that are absolutely accurate, so all that can reasonably be attained is a fair estimate in order to give the proprietors a good idea of the cost of each article or contract undertaken.

Great accuracy should, however, be aimed at, for Cost Accounts that are inaccurate are worthless.

The expenses are divided under two headings:—

- (1) Prime cost.
- (2) Oncost.



*Prime Cost* consists of expenses directly incidental to the particular job or contract, such as wages and materials; the wages for each job can be ascertained if the workmen are supplied with time books or cards on which to enter particulars of time spent on each job.

The materials used for each job are ascertained by charging direct to each job all materials purchased for same, a separate column being kept in the Purchase Book for this purpose, materials not purchased for any particular job are debited to Stores Account, through the Purchase Book, and, when required for a particular job, a requisition order signed by the foreman is delivered to the store-keeper, which order states for what particular job the stores are required, and the Cost Account is debited accordingly.

*Oncost* may be subdivided into factory oncost, and office oncost.

*Factory Oncost* consists of expenses incidental to the manufacture, but which are not directly chargeable to any particular job, and which must, therefore, be apportioned. They consist of such items as foreman's salary, fuel, depreciation of plant and factory, rent, etc. It is in respect of these items that various methods are adopted in apportioning same between the various jobs.

Factory oncost is based on the wages paid, or materials used, or both.

As to which method is most suitable to employ will depend on the nature of the business and the particular circumstances.

*Office Oncost* consists of such expenses as rent, rates and taxes, salaries of clerks, discounts on sales, travellers' commissions, advertising, etc.

Office oncost is based on the factory cost.

Prime cost, factory oncost, and office oncost make up the total cost.

### Materials

An important question to be considered is how shall materials used be valued for the job at cost or market price. If same are valued at cost, then the Cost Account will show the actual cost of manufacture, but if valued at market price, then the Cost Account will show the market price. In respect to depreciation of machinery, various methods are adopted of apportioning same, sometimes on the time occupied or on the wages paid. As to which will be most suitable will depend on the class of machinery, also the nature of the work.

When valuing the stock for the Balance Sheet, then from the total cost price should be deducted any oncost in connection with sale

of the goods, in order to arrive at the cost of production, which should be the value of the stock for the Balance Sheet, or market price, whichever be the lower.

The Cost Accounts may be of value to the auditor in verifying the cost price of the stock on hand as stated in the Balance Sheet.

### Empties

I propose to deal with these under three headings:—

(1) Where the empties are of considerable value and are charged to the customer.

In this case a separate column should be ruled in the Sales Book, and the empties posted along with the goods to the customer's account; when returned they should be credited to the customer through the Returns Inwards Book, a separate column being ruled therein for same.

(2) When they are of considerable value but are not charged to the customer:—

This would involve the keeping of a separate Ledger with accounts for each customer in respect of these empties. They should be posted through the Sales Book, which would have a separate column for same, and the returns credited through the Returns Inwards Book similarly ruled.

(3) Where they are of very little value, and are included in the price charged to the customer for the goods, but an allowance made on their return. In this case, they should be treated as ordinary sales and when returned, treated as ordinary returns, the customer's account being credited at the price allowed him on returning same.

### Stocks and Stores

It is very desirable that a trader should keep proper accounts of his stock for the following reasons:—

(1) That he may know at any time what stock he has on hand without making an inventory of same.

(2) It prevents over-stocking in the various departments.

(3) A means of preventing or, at least, discovering thefts of stock.

(4) Of value when ordering future requirements.

In most cases it will only be found possible to keep the stock records in quantities.

A simple method of keeping stocks is to have a Stock Ledger ruled with columns on both debit and credit sides for the various kinds of stock. The debit side being written up from the invoices received from the merchants, and the credit side from the duplicates of invoices sent to customers, or from the Sales Book.

It is advisable that periodically an inventory be made of the stock, and any differences in the Stock Book adjusted.

The Stock Book may be of assistance to the auditor in verifying the stock sheets submitted to him as evidence of the stock-taking results, but he should not accept such Stock Book as a voucher for the stock on hand, as such Stock Book, however accurately kept, may not agree with the actual stock on hand for various reasons, such as thefts of stock, wastages, etc.

Stores as distinguished from stock, consist of goods that have been purchased to be made up into stock.

The Stores Ledger should be ruled with columns similar to the Stock Ledger, columns being provided on both debit and credit sides for the various kinds of stores. The debit side being written up from the invoices received from the merchants, and the credit side from the requisition orders supplied to the storekeeper by the heads of the various departments requiring such stores. It is of importance that great accuracy be observed in respect of stores used, for unless this is done large discrepancies may occur, and the Stock Ledger will be of little or no value.

Irregularities frequently occur with stores when workmen are allowed to take stores without requisition orders, and only account for what they use; these returns are frequently found to be incorrect, and the Stores Ledger thus rendered valueless. An inventory should be made of the stocks and stores periodically, and any differences in the Stock and Stores Ledgers adjusted with the actual stocks and stores.

It is advisable that the storekeeper's office be located in a part of the works where he can see all that is going on, and not in the general office.

The Stores Ledger may also be of value to the auditor in verifying the inventory of the stores produced to him, but for the same reasons that the Stock Ledger may be incorrect so also may the Stores Ledger, therefore this should not be accepted as the only evidence of the stores on hand, but he should insist upon a certified inventory being produced to him.

In concluding my remarks this evening I may mention that I have endeavored to state as fully and concisely as possible the principal points regarding each of the matters with which I have dealt.

Volumes might be written regarding each of these very important matters, therefore, in preparing my lecture, I kept in mind that popular Latin phrase, *multum in parvo*.—From The Accountant.



## THE CANADIAN SOCIETY OF COST ACCOUNTANTS

A LARGE gathering attended the inaugural meeting of the Canadian Society of Cost Accountants, which was held on the evening of September 15th at Foresters Hall, Toronto. Many of the delegates to the Convention of the Dominion Association of Chartered Accountants were present to hear Mr. J. Lee Nicholson, C.P.A., President of the National Society of Cost Accountants speak on cost accounting and its importance to the business community.

Mr. George Edwards, F.C.A., President of the Society, presided, and spoke as follows:—

"I have the honor to address you to-day in my capacity as the Provisional Chairman of the Canadian Society of Cost Accountants. This organization owes its existence to a recognition of the need for a body having for its chief object the dissemination of useful knowledge respecting scientific cost accounting. The need for such an organization in Canada was suggested by the knowledge which came to us of the formation of a similar society in the United States. It is to them therefore that we freely give credit for the underlying idea of a Cost Accountants Society. The Chartered Accountants of Canada have never been slow to recognize the responsibilities which go hand in hand with privilege. The increasing importance to the industrial interests of this Dominion point inevitably to the creation, sooner or later, of facilities for the exchange of useful knowledge upon this important subject, and, while at the present stage we are in some uncertainty as to what might be the best way in which to effect this exchange of knowledge, there can be no reason for delay or hesitation in undertaking the task. Therefore to the Chartered Accountants of Canada must be given the credit for taking action towards the accomplishment of the purposes in view, and it is appropriate therefore that on the occasion of the annual gathering of the Dominion Association, which is an all-Canadian body representative of accounting interests in all the Provinces of Canada, the movement for a Cost Accountants Society should be launched.

"The science of Cost Accounting is probably only in its infancy, although very much has already been done to improve the means whereby manufacturers may arrive accurately at their costs of production. Under present day conditions, when, as the result of a great world war, the demand for all classes of commodities greatly exceeds the supply, and profits are unusual, the need for a scientific set of Cost Accounts is not keenly felt by the average producer; but as in the course of time, as must be the case, the supply overtakes

the demand for most classes of commodities, and as a natural consequence the margin of profit is reduced by competition which follows, it is likely to be a matter of paramount interest that precise costs should be known—not alone for the reason that it is necessary that there should be a margin of profit over cost as the result of the manufacturers' operations, but in order that by comparative and analytic examination of details these costs may be reduced and the demands of competition thus met.

"We come to you to-day not for the purpose of presenting any well-defined lines of policy respecting the work that it is proposed to carry on. The new Society is yet numerically weak, but there can be no doubt as to the extent of the constituency which it has to serve. The manufacturers of this Dominion are many thousands in number, and every one of them, either personally or through a responsible employee, will be interested in the work carried on by the Society. The confident hope is therefore expressed that the membership will increase to a goodly number before this Society terminates the first year of its existence.

"From the nature of the case it will be perhaps impossible that the present meeting can be conducted along the lines of an annual meeting, as generally understood. There are at the present time no financial statements to present; no reports upon operations already carried on. The membership is receiving daily accessions at such an encouraging rate that one must conclude that the moment has not yet arrived for the selection from amongst the membership of the Society of a suitable Board of Trustees, who by reason of their enthusiasm and knowledge of the subject and general willingness to give good service, would be depended upon to settle the all-important questions which confront the Society at the present time.

"Subject to whatever action this meeting might feel disposed to take, therefore (and it should be mentioned that this is a meeting which is competent to do anything which any meeting of the Society might do), it is proposed to confine the actual business of the meeting to certain details which are necessary to the completion of its organization and to submit for discussion and approval amendments to the by-laws of the Society. It may be proper to mention that the adoption of a set of by-laws was necessary as a preliminary to the incorporation of the Society, and that these by-laws have received the approval of the Secretary of State of Canada. All amendments to such by-laws similarly require such approval, so that the amendment which is to be presented to you to-day will not become effective until so approved.



The Society is fortunate in having secured the promise of Mr. J. Lee Nicholson, C.P.A., who is the President of the National Association of Cost Accountants, to address this meeting, and as Mr. Nicholson is not only by reason of his representative capacity well qualified to speak to us upon the subject, but also because he is himself the head of a large business organization which has specialized in Cost Accounting. He comes to us, therefore, with a large fund of practical experience upon the subject. I propose that the actual business of the Society shall be deferred until the conclusion of Mr. Nicholson's address, as I feel sure that anything he may say to you either upon the subject of how such a Society as ours should be conducted or upon the more practical and technical subject which he has selected for a portion at least of his address, will be an invaluable preliminary to the consideration of any business we have to do, and I will therefore, without further extending these remarks, call upon Mr. J. Lee Nicholson to address us."

Mr. Nicholson, in opening his address, which was most interesting throughout, gave a short history of the foundation work and progress of the National Society of Cost Accountants and prophesied equal success for the Canadian Society.

Cost Accounting, said Mr. Nicholson, is the basic thing in all business; it served to show where a profit was made, and where a loss is sustained, and was needed by every business, whether manufacturing, trading or professional. The proper system should show the cost of production in each department and is essential in determining the selling price. Material, labor and overhead were the important items in Cost Accounting, and the fault with most manufacturers was a lack of appreciation of material, which, besides representing goods, represented money. The practice of salvaging waste material was being followed more and more as manufacturers recognized the value of by-products, which sometimes brought more than the main article produced. Material and overhead needed far more consideration than did labor; the losses entailed were usually due to waste of material.

"If a cost system is merely used to ascertain the cost, it is not worth the money spent upon it," he said; "but a properly conducted system is always a paying proposition. The saving made during six months, it has been proven in a number of cases, under a proper system, has been sufficient for the maintenance of the system for twenty-five years." Before closing his address Mr. Nicholson spoke strongly in favor of the Profit-Sharing Plan. He said there were



many different plans in effect and nearly all were favorably received by the workmen. He believes that the Profit-Sharing Plan is the best effort of its kind to bring capital and labor closer together and its general adoption will save this country and every other country a great deal of trouble in connection with differences between capital and labor.

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### JUST EVERY-DAY EFFICIENCY

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A word may lose its value by over-use. One which has been over-cultivated, to the loss of its real meaning, is "efficiency." Efficiency means the shortest, and quickest way of doing a thing. It has a double value, a quadruple value, an unlimited value. It is not something to be reserved for comprehension of the elect. It is not a thing to be called scientific management and used as a bugaboo. It is, on the contrary, nothing but common-sense applied to every-day affairs. The doing of a thing in a better, quicker, and more economical way than at present, the doing of a thing in the right way, the easy, the adept, the direct and natural way, rather than in the careless, slovenly, wrong, or round-about way. Efficiency is the duty not alone of every man to himself, but every man to his neighbor. It is a slogan that means prosperity, and a watchword of honest effort and well-directed energy.

The one comprehensive word covering efficiency in its fullest and broadest sense is "results," not the initial result but the final result. The unit measure is but the starting point, but the combination of units brings about a complete and finished article of efficiency. Figures having but a relative value should always be measured by results. The unit having but an initial value should be combined with other units, and compressed into a complete and finished whole.

This is expressed in the necessity for each unit of efficiency standing elbow to elbow, and shoulder to shoulder, to the next unit of efficiency, thereby making a compact and invincible whole proof against the on-slaught of competitors, with whatever organization they must have at variance with our own.

## A SHARE IN THE PROFITS

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**A**NOTHER attempt to devise some better arrangement between capital and labor than the direct wage system is being made by an important corporation. Canadian Cottons, Limited, has addressed a circular to its employees, in which a new arrangement is put forward for the approval of the men.

The arrangement takes the form of a profit-sharing proposal on increased production. The circular to the men begins by announcing a wage increase of 5 per cent., but the management declares that it has experienced a greatly reduced rate of production, and is unable to participate in business that offers because it cannot produce nearly up to the capacity of its works. The management therefore puts forward an offer which it hopes will interest its workers as being of profit to all concerned. The circular says, in part:—

“During the past year the woven production at Ontario mill has been, in round figures, 64 per cent. of the rated capacity of the looms installed, while under proper conditions it might easily have been 80 to 85 per cent. With this in view, it has been arranged that the company and its workers will share equally in the profits accruing from all increased production, and in direct ratio to such increase. Dating from October 1st the company will pay to operatives, at the end of each succeeding three months' period and at the same time as dividends are paid to shareholders, a sum equal to 1 per cent. of each operative's wages for every 1 per cent. increase of production obtained over and above the present average of 64 per cent. For example, if production is increased to 75 per cent. of possible efficiency—that is, by 11 per cent.—each worker will receive the additional sum of 11 per cent. of regular wages earned and so on. In order that operatives may at all times keep in touch with the production figures the same will be posted week by week on the usual notice boards as soon as compiled. The amount of wages earned under this partnership plan may, if so wished, be reinvested with the company, and upon all money so deposited the company will pay interest at the same rate as the shareholders receive in dividends upon the common stock of the company—at present 6 per cent.—and should the dividend rate at any time be increased this increased rate would be paid upon such money reinvested. Employees will have the privilege of withdrawing part or all of such deposits at any time, with accrued interest.

“The management is convinced that by loyal and unselfish co-operation a very material increase in production can be effected.

Increased diligence on the part of every worker is essential in order to attain the desired results. Regular attendance at work is an absolute necessity. For this reason the management consider it only fair to the steady workers that, in order to participate in the proposed plan, the operative must have worked at least 92½ per cent. of the full working time during the three months' payment period."

There is embodied in this offer a principle—there is in it a recognition of the truth that labor influences profits, and should have an interest and a share in them. There is in this proposal the moderate beginnings of a plan that some day may be in general use.

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### ORGANIZATION

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It is often said that the secret of business success is to get other people to do the work. Therein lies the power of the organizer. The art of delegation is one of the most important factors which contribute to success, and, if coupled with the faculty of selecting the right man for each post, is bound to bring its due reward.

Hard work is essential to success, but will not necessarily achieve it. The man who works twelve hours a day often makes less progress than he who only devotes six hours to business. The reason is not far to seek, for whereas the former is occupying his time with work that could equally well be done by others, the latter is only engaged on matters which no one else but himself can do. The result is that his mind is more alert; he has time to think, time to plan, time to evolve new ideas; he can see that others do the work required in the way it should be done without worrying over the details; he can conserve his energies for the big things.

Organization is a science without rules. The business organizer who attempts to work to a defined plan, paradoxical as it may seem, is not a true organizer. He must map out the general outline and then arrange his work to suit the special requirements of the case. Any draughtsman can prepare the plans of a house; the skill of the architect is to design a house to fit the site.

Such is the work of the true business organizer.—From "The Accountants' Journal."



## BUSINESS PROFITS WAR TAX

### Summary of Rates of Taxes Payable under Business Profits War Tax Act of 1916 and Amendments to Date

#### *On Profits of Year Ending During 1915, Tax Payable 1916*

- 25% of excess profits over 7% of capital of companies having \$50,000 or more capital employed in the business.  
25% tax on excess over 10% of all other businesses having \$50,000 or more capital.

#### *On Profits of 1916, Tax Payable 1917*

- 25% of excess over 7% of capital of companies having \$50,000 or more capital.  
25% on excess over 10% of capital of all other businesses having \$50,000 or more capital.

#### *On Profits of 1917, Tax Payable 1918*

Incorporated Companies having \$50,000 or more capital and Munition Businesses of less than \$50,000 capital, but not less than \$25,000.

25% of excess over	7% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

All other businesses.

25% of excess over	10% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

#### *On Profits of 1918, Tax Payable 1919*

All Businesses, Partnership and Incorporated Companies having \$25,000 or more, but less than \$50,000 capital.

25% on excess over 10% of capital.

Incorporated Companies having \$50,000 or more capital, and Munition Businesses of less than \$50,000 capital, but not less than \$25,000.

25% of excess over	7% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

All other businesses.

25% of excess over	10% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

#### *On Profits of 1919, Tax Payable 1920*

All Businesses, Partnership and Incorporated Companies having \$25,000 or more, but less than \$50,000 capital.

25% on excess over 10% of capital.

Incorporated Companies having \$50,000 or more capital, and Munition Businesses of less than \$50,000 capital, but not less than \$25,000.

25% on excess over	7% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

All other businesses.

25% of excess over	10% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

#### *On Profits of 1920, Tax Payable 1921*

All Businesses, Partnership and Incorporated Companies having \$25,000 or more, but less than \$50,000 capital.

20% on excess over 10% of capital.

Incorporated Companies having \$50,000 or more capital.

20% on excess over	10% up to 15% of capital.
30% " "	15% " 20% "
50% " "	20% " 30% "
60% all " "	30% of capital.

(See text of Amendment 1920 published in July issue).

## DOMINION INCOME TAX

### DOMINION INCOME TAX

#### Summary of Rates of Taxes Payable under Income War Tax Act of 1917 and Amendments to Date

##### *Income of 1917, Tax Payable 1918*

4% Normal Tax on excess over \$1,500 of single persons, or over \$3,000 of married persons, as well as:—

2% on excess over	\$ 6,000 up to \$	10,000
5% " "	10,000 "	20,000
8% " "	20,000 "	30,000
10% " "	30,000 "	50,000
15% " "	50,000 "	100,000
25% " "	100,000	

Companies pay 4% Normal Tax only on excess over \$3,000.

##### *Income of 1918, Tax Payable 1919*

2% Normal Tax on excess over 1,000 up to \$1,500, and

4% on all excess over \$1,500 of single persons,

2% Normal Tax on excess over \$2,000 up to \$3,000, and

4% on all excess over \$3,000 of married persons as well as:—

2% on excess over	\$ 6,000 up to \$	10,000
5% " "	10,000 "	20,000
8% " "	20,000 "	30,000
10% " "	30,000 "	50,000
15% " "	50,000 "	75,000
20% " "	75,000 "	100,000
25% " "	100,000 "	200,000
30% " "	200,000 "	400,000
35% " "	400,000 "	600,000
40% " "	600,000 "	800,000
45% " "	800,000 "	1,000,000
50% " "	1,000,000	

And in addition to above.

5% of tax on excess Income over	\$ 6,000 up to \$	10,000
10% " " "	10,000 "	100,000
15% " " "	100,000 "	200,000
35% " " "	200,000	

Companies pay 6% Normal Tax only on excess over \$3,000.

##### *Income of 1919, Tax Payable 1920*

4% Normal Tax on excess over \$1,000 up to \$6,000 of single persons, or over \$2,000 of married persons, and 8% Normal Tax on all excess over \$6,000 of all persons as well as:—

1% on excess over	\$ 5,000 up to \$	6,000
2% " "	6,000 "	8,000
3% " "	8,000 "	10,000
4% " "	10,000 "	12,000

and so on 1% added for every additional \$2,000 of income up to \$100,000.

52% on excess	\$ 100,000 up to \$	150,000
56% " "	150,000 "	200,000
60% " "	200,000 "	300,000
63% " "	300,000 "	500,000
64% " "	500,000 "	1,000,000
65% " "	1,000,000	

And also 5% of the above Taxes on excess of Income of \$5,000 and upwards.

Companies pay 10% Normal Tax only on excess Income over \$2,000.

##### *Income of 1920, Tax Payable 1921*

Same rates as shown above for 1919, but one-fourth of the amount of tax is to be paid on filing return and balance in three bi-monthly instalments, and penalty of 10% or 50% or 100% on excess income not reported.

(See text of Amendment 1920 published in July issue).

1920

## THE INCOME WAR TAX ACT AMENDED

### Companies

Corporations will pay 10 per cent. on net income in excess of \$2,000.

Dividends declared or shareholders' bonuses voted after the thirty-first day of December, 1919, shall be taxable income of the taxpayer in the year in which they are paid or distributed.

### Individuals

#### NORMAL TAX

Individuals will pay 4 per cent. upon all incomes exceeding \$1,000 up to \$6,000 in the case of unmarried persons, widows and widowers without dependent children, and upon all incomes exceeding \$2,000 up to \$6,000 in the case of all other persons.

From the Normal Tax only individuals are exempt on \$200 of income for each dependent child under eighteen years of age.

Individuals will pay 8 per cent. Normal Tax upon all excess over \$6,000.

#### SUPER TAX

Individuals, in addition to the Normal Tax, will pay a Super Tax of:—

One per cent. on income exceeding \$5,000, but not exceeding \$6,000.

Two per cent. on income exceeding \$6,000, but not exceeding \$8,000.

Three per cent. on income exceeding \$8,000, but not exceeding \$10,000.

And so on, in like manner, the Super Tax is increased by graduation 1 per cent. additional tax for every additional \$2,000 of income up to \$100,000.

Increased Super Tax rates are levied upon all incomes in excess of \$100,000.

#### SURTAX

Individuals, in addition to the Normal Tax and the Super Tax, will pay a Surtax of 5 per cent. on the combined amount of the Normal and Super Taxes where the income is \$5,000 or more.



# INCOME TAX RATES

## Amount of Tax on Incomes of 1919 and 1920

Unmarried Married			Unmarried Married		
Income.	Persons.	Persons.	Income.	Persons.	Persons.
\$ 1,000	Exempt	Exempt	\$ 3,000	\$ 80	\$ 40
1,100	\$ 4	"	3,100	84	44
1,200	8	"	3,200	88	48
1,300	12	"	3,300	92	52
1,400	16	"	3,400	96	56
1,500	20	"	3,500	100	60
1,600	24	"	3,600	104	64
1,700	28	"	3,700	108	68
1,800	32	"	3,800	112	72
1,900	36	"	3,900	116	76
2,000	40	"	4,000	120	80
2,100	44	\$ 4	4,100	124	84
2,200	48	8	4,200	128	88
2,300	52	12	4,300	132	92
2,400	56	16	4,400	136	96
2,500	60	20	4,500	140	100
2,600	64	24	4,600	144	104
2,700	68	28	4,700	148	108
2,800	72	32	4,800	152	112
2,900	76	36	4,900	156	116

## Married Persons

Tax on \$5,000 up to \$8,900.

NOTE.—Unmarried persons and widows and widowers without dependent children pay \$42 more than married persons on income of \$5,000 or more.

Married		Married	
Income.	Persons.	Income.	Persons.
\$ 5,000	\$ 126.00	\$ 7,000	\$ 283.50
5,100	131.25	7,100	294.00
5,200	136.50	7,200	304.50
5,300	141.75	7,300	315.00
5,400	147.00	7,400	325.50
5,500	152.25	7,500	336.00
5,600	157.50	7,600	346.50
5,700	162.75	7,700	357.00
5,800	168.00	7,800	367.50
5,900	173.25	7,900	378.00
6,000	178.50	8,000	388.50
6,100	189.00	8,100	400.05
6,200	199.50	8,200	411.60
6,300	210.00	8,300	423.15
6,400	220.50	8,400	434.70
6,500	231.00	8,500	446.25
6,600	241.50	8,600	457.80
6,700	252.00	8,700	469.35
6,800	262.50	8,800	480.90
6,900	273.00	8,900	492.45

# THE CANADIAN CHARTERED ACCOUNTANT

## Married Persons

Tax on \$9,000 up to \$16,900.

Income.	Married Persons.	Income.	Married Persons.
\$ 9,000 .....	\$ 504.00	\$13,000 .....	\$1,008.00
9,100 .....	515.55	13,100 .....	1,021.65
9,200 .....	527.10	13,200 .....	1,035.30
9,300 .....	538.65	13,300 .....	1,048.95
9,400 .....	550.20	13,400 .....	1,062.60
9,500 .....	561.75	13,500 .....	1,076.25
9,600 .....	573.30	13,600 .....	1,089.90
9,700 .....	584.85	13,700 .....	1,103.55
9,800 .....	596.40	13,800 .....	1,117.20
9,900 .....	607.95	13,900 .....	1,130.85
10,000 .....	619.50	14,000 .....	1,144.50
10,100 .....	632.10	14,100 .....	1,159.20
10,200 .....	644.70	14,200 .....	1,173.90
10,300 .....	657.30	14,300 .....	1,188.60
10,400 .....	669.90	14,400 .....	1,203.30
10,500 .....	682.50	14,500 .....	1,218.00
10,600 .....	695.10	14,600 .....	1,232.70
10,700 .....	707.70	14,700 .....	1,247.40
10,800 .....	720.30	14,800 .....	1,262.10
10,900 .....	732.90	14,900 .....	1,276.80
11,000 .....	745.50	15,000 .....	1,291.50
11,100 .....	758.10	15,100 .....	1,306.20
11,200 .....	770.70	15,200 .....	1,320.90
11,300 .....	783.30	15,300 .....	1,335.60
11,400 .....	795.90	15,400 .....	1,350.30
11,500 .....	808.50	15,500 .....	1,365.00
11,600 .....	821.10	15,600 .....	1,379.70
11,700 .....	833.70	15,700 .....	1,394.40
11,800 .....	846.30	15,800 .....	1,409.10
11,900 .....	858.90	15,900 .....	1,423.80
12,000 .....	871.50	16,000 .....	1,438.50
12,100 .....	885.15	16,100 .....	1,454.25
12,200 .....	898.80	16,200 .....	1,470.00
12,300 .....	912.45	16,300 .....	1,485.75
12,400 .....	926.10	16,400 .....	1,501.50
12,500 .....	939.75	16,500 .....	1,517.25
12,600 .....	953.40	16,600 .....	1,533.00
12,700 .....	967.05	16,700 .....	1,548.75
12,800 .....	980.70	16,800 .....	1,564.50
12,900 .....	994.35	16,900 .....	1,580.25

# INCOME TAX RATES

## Married Persons

Tax on \$17,000 up to \$25,000.

Income.	Married Persons.	Income.	Married Persons.
\$17,000 .....	\$1,596.00	\$21,000 .....	\$2,268.00
17,100 .....	1,611.75	21,100 .....	2,285.85
17,200 .....	1,627.50	21,200 .....	2,303.70
17,300 .....	1,643.25	21,300 .....	2,321.55
17,400 .....	1,659.00	21,400 .....	2,339.40
17,500 .....	1,674.75	21,500 .....	2,357.25
17,600 .....	1,690.50	21,600 .....	2,375.10
17,700 .....	1,706.25	21,700 .....	2,392.95
17,800 .....	1,722.00	21,800 .....	2,410.80
17,900 .....	1,737.75	21,900 .....	2,428.65
18,000 .....	1,753.50	22,000 .....	2,446.50
18,100 .....	1,770.30	22,100 .....	2,465.40
18,200 .....	1,787.10	22,200 .....	2,484.30
18,300 .....	1,803.90	22,300 .....	2,503.20
18,400 .....	1,820.70	22,400 .....	2,522.10
18,500 .....	1,837.50	22,500 .....	2,541.00
18,600 .....	1,854.30	22,600 .....	2,559.90
18,700 .....	1,871.10	22,700 .....	2,578.80
18,800 .....	1,887.90	22,800 .....	2,597.70
18,900 .....	1,904.70	22,900 .....	2,616.60
19,000 .....	1,921.50	23,000 .....	2,635.50
19,100 .....	1,938.30	23,100 .....	2,654.40
19,200 .....	1,955.10	23,200 .....	2,673.30
19,300 .....	1,971.90	23,300 .....	2,692.20
19,400 .....	1,988.70	23,400 .....	2,711.10
19,500 .....	2,005.50	23,500 .....	2,730.00
19,600 .....	2,022.30	23,600 .....	2,748.90
19,700 .....	2,039.10	23,700 .....	2,767.80
19,800 .....	2,055.90	23,800 .....	2,786.70
19,900 .....	2,072.70	23,900 .....	2,805.60
20,000 .....	2,089.50	24,000 .....	2,824.50
20,100 .....	2,107.35	24,100 .....	2,844.45
20,200 .....	2,125.20	24,200 .....	2,864.40
20,300 .....	2,143.05	24,300 .....	2,884.35
20,400 .....	2,160.90	24,400 .....	2,904.30
20,500 .....	2,178.75	24,500 .....	2,924.25
20,600 .....	2,196.60	24,600 .....	2,944.20
20,700 .....	2,214.45	24,700 .....	2,964.15
20,800 .....	2,232.30	24,800 .....	2,984.10
20,900 .....	2,250.15	24,900 .....	3,004.05
		25,000 .....	3,024.00



**Married Persons**

Tax on Income in Excess of \$25,000.

NOTE.—Unmarried persons and widows and widowers without dependent children pay \$42 more than married persons on income of \$5,000 or more.

Over \$25,000 to \$26,000:

Take tax on first \$25,000—\$3,024. (See other table.) Add \$19.95 on each \$100 excess.

Over \$26,000 to \$28,000:

Take tax on first \$26,000—\$3,223.50.

Add \$21.00 on each \$100 excess.

Over \$28,000 to \$30,000:

Take tax on first \$28,000—\$3,643.50.

Add \$22.05 on each \$100 excess.

Over \$30,000 to \$32,000:

Take tax on first \$30,000—\$4,084.50.

Add \$23.10 on each \$100 excess.

Over \$32,000 to \$34,000:

Take tax on first \$32,000—\$4,546.50.

Add \$24.15 on each \$100 excess.

Over \$34,000 to \$36,000:

Take tax on first \$34,000—\$5,029.50.

Add \$25.20 on each \$100 excess.

Over \$36,000 to \$38,000:

Take tax on first \$36,000—\$5,533.50.

Add \$26.25 on each \$100 excess.

Over \$38,000 to \$40,000:

Take tax on first \$38,000—\$6,058.50.

Add \$27.30 on each \$100 excess.

Over \$40,000 to \$42,000:

Take tax on first \$40,000—\$6,604.50.

Add \$28.35 on each \$100 excess.

Over \$42,000 to \$44,000:

Take tax on first \$42,000—\$7,171.50.

Add \$29.40 on each \$100 excess.

Over \$44,000 to \$46,000:

Take tax on first \$44,000—\$7,759.50.

Add \$30.45 on each \$100 excess.

Over \$46,000 to \$48,000:

Take tax on first \$46,000—\$8,368.50.

Add \$31.50 on each \$100 excess.

Over \$48,000 to \$50,000:

Take tax on first \$48,000—\$8,998.50.

Add \$32.55 on each \$100 excess.

Over \$50,000 to \$52,000:

Take tax on first \$50,000—\$9,649.50.

Add \$33.60 on each \$100 excess.

Over \$52,000 to \$54,000:

Take tax on first \$52,000—\$10,321.50.

Add \$34.65 on each \$100 excess.

Over \$54,000 to \$56,000:

Take tax on first \$54,000—\$11,014.50.

Add \$35.70 on each \$100 excess.

## INCOME TAX RATES

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Over \$56,000 to \$58,000:	Take tax on first \$56,000—\$11,728.50. Add \$36.75 on each \$100 excess.
Over \$58,000 to \$60,000:	Take tax on first \$58,000—\$12,463.50. Add \$37.80 on each \$100 excess.
Over \$60,000 to \$62,000:	Take tax on first \$60,000—\$13,219.50. Add \$38.85 on each \$100 excess.
Over \$62,000 to \$64,000:	Take tax on first \$62,000—\$13,996.50. Add \$39.90 on each \$100 excess.
Over \$64,000 to \$66,000:	Take tax on first \$64,000—\$14,794.50. Add \$40.95 on each \$100 excess.
Over \$66,000 to \$68,000:	Take tax on first \$66,000—\$15,613.50. Add \$42.00 on each \$100 excess.
Over \$68,000 to \$70,000:	Take tax on first \$68,000—\$16,453.50. Add \$43.05 on each \$100 excess.
Over \$70,000 to \$72,000:	Take tax on first \$70,000—\$17,314.50. Add \$44.10 on each \$100 excess.
Over \$72,000 to \$74,000:	Take tax on first \$72,000—\$18,196.50. Add \$45.15 on each \$100 excess.
Over \$74,000 to \$76,000:	Take tax on first \$74,000—\$19,099.50. Add \$46.20 on each \$100 excess.
Over \$76,000 to \$78,000:	Take tax on first \$76,000—\$20,023.50. Add \$47.25 on each \$100 excess.
Over \$78,000 to \$80,000:	Take tax on first \$78,000—\$20,968.50. Add \$48.30 on each \$100 excess.
Over \$80,000 to \$82,000:	Take tax on first \$80,000—\$21,934.50. Add \$49.35 on each \$100 excess.
Over \$82,000 to \$84,000:	Take tax on first \$82,000—\$22,921.50. Add \$50.40 on each \$100 excess.
Over \$84,000 to \$86,000:	Take tax on first \$84,000—\$23,929.50. Add \$51.45 on each \$100 excess.
Over \$86,000 to \$88,000:	Take tax on first \$86,000—\$24,958.50. Add \$52.50 on each \$100 excess.
Over \$88,000 to \$90,000:	Take tax on first \$88,000—\$26,008.50. Add \$53.55 on each \$100 excess.
Over \$90,000 to \$92,000:	Take tax on first \$90,000—\$27,079.50. Add \$54.60 on each \$100 excess.
Over \$92,000 to \$94,000:	Take tax on first \$92,000—\$28,171.50. Add \$55.65 on each \$100 excess.

Over \$94,000 to \$96,000:	Take tax on first \$94,000—\$29,284.50. Add \$56.70 on each \$100 excess.
Over \$96,000 to \$98,000:	Take tax on first \$96,000—\$30,418.50. Add \$57.75 on each \$100 excess.
Over \$98,000 to \$100,000:	Take tax on first \$98,000—\$31,573.50. Add \$58.80 on each \$100 excess.
Over \$100,000 to \$150,000:	Take tax on first \$100,000—\$32,749.50. Add \$630 on each \$1000 excess.
Over \$150,000 to \$200,000:	Take tax on first \$150,000—\$64,249.50. Add \$672 on each \$1000 excess.
Over \$200,000 to \$300,000:	Take tax on first \$200,000—\$97,849.50. Add \$714 on each \$1000 excess.
Over \$300,000 to \$500,000:	Take tax on first \$300,000—\$169,249.50. Add \$745.50 on each \$1000 excess.
Over \$500,000 to \$1,000,000:	Take tax on first \$500,000—\$318,349.50. Add \$756 on each \$1000 excess.
Over \$1,000,000:	Take tax on first \$1,000,000—\$696,349.50 Add \$766.50 on each \$1000 excess.

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### UTOPIA WHILE YOU WAIT

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The Independent Order of Business Men, Limited, has been registered at Somerset House as a company limited by guarantee, without share capital. It would be impossible adequately to summarize the objects of the concern, unless one says that the aim is to create a new heaven and a regenerated earth. The order is to consist of a central lodge, branches, and minor, major and grand lodges, according to the number of members. Membership is to consist of associates ("one-man business" men), instructors (professional men), fellows (employers of labor), wardens (executive officers), presidents (to conduct the lodge instructions), commanders (members distinguished in law, politics, business affairs, literature, and otherwise). Perhaps the most remarkable feature of the affair in these days is the fact that each member is to be entitled to use the letters of the order, "O.B.M.," after his name, together with a letter indicating his rank, as A.O.B.M., F.O.B.M., etc. Which only goes to prove that one may sometimes find quite a lot of psychology in a memorandum of association.—(From "The Accountant.")



THE  
CANADIAN CHARTERED ACCOUNTANT

PUBLISHED QUARTERLY UNDER THE AUSPICES OF THE  
DOMINION ASSOCIATION OF CHARTERED ACCOUNTANTS

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The Publication Committee will be pleased to receive contributions on subjects of interest. Papers which may not be deemed suitable will be returned, if desired.

All communications to be addressed to "The Canadian Chartered Accountant," 518 Continental Life Building, Toronto, Ont.

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PUBLICATION NOTICE

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THE Committee on Publications, with the approval of the Dominion Association, propose publishing the "Canadian Chartered Accountant" every two months instead of quarterly, as now, commencing with the first number of Volume XI. Owing to the high cost of production, the subscription price will be raised to \$2 per year, payable in advance.

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EXCISE TAX LICENSES

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THE Department of Customs and Inland Revenue announce that Sale Tax Licenses, as required under the Amendment to the Special War Revenue Act, 1915, passed at the late session, are ready for issue, and application forms may be had from the Department or local collectors. Retailers, jewellers, manufacturers, etc., not in possession of Licenses on the 15th November, 1920, will be subject to a penalty, as provided in the Act.

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INCOME AND BUSINESS PROFITS RATES

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ELSEWHERE in this number will be found tables of the Rates of Taxes payable, from time of enactment to date, under the Income War Tax Act, 1917, and the Business Profits War Tax Act, 1916. These tables were prepared by a member of the Ontario Institute and will be a great convenience to accountants in making up tax returns.

### INCOME TAX TABLES

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**A**T the request of several subscribers we have had the Income Tax Tables, as published in October issue last year, revised to agree with the latest amendments to the Act, and they will be found in another part of this issue.

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### THE BANKRUPTCY ACT

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**T**HE address by Mr. G. T. Clarkson, F.C.A., of Toronto, on the new Bankruptcy Act, delivered at the Dominion Association of Chartered Accountants Convention on the 14th of September last was listened to by a large audience, and a hearty vote of thanks and appreciation was passed to Mr. Clarkson for his valuable paper. We hope to publish this address in full in the January number of the magazine.

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The Chartered Institute of Secretaries, of Joint Stock Companies and other Public Bodies.

London, Eng., 3rd August, 1920.

J. W. Benson, Esq., A.C.I.S.,

Hon. Secretary,

Canadian Branch (Montreal).

Dear Sir:—

On page 45 of the "Canadian Chartered Accountant" for July, 1920, there is a note concerning the formation of the Canadian Branch. You will notice that it refers only to Company Secretaries and that the title of the Institute is not fully given, the words "and other Public Bodies" having been omitted. As it stands, this notice only refers to Company Secretaries, and it might give the impression that no others were eligible for membership. Perhaps you would be good enough to communicate with the Editor of the "Canadian Chartered Accountant" in order that this point may be made clear in future issues.

Yours faithfully,

(Signed) G. D. ROUTLEDGE,

for Secretary.

(We are pleased to make this correction.—EDITOR.)

### PERSONALS

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Messrs. Riddell, Stead, Graham and Hutchison, Chartered Accountants, Montreal and Winnipeg, announce that Mr. Joseph Bell, who went overseas on military service, has decided to remain in England and has retired from the firm. The Winnipeg practice will be continued under the same firm name with Mr. W. D. Glendinning, C.A., as resident partner in charge.

Messrs. Robert Miller and Company, Montreal, announce the removal of their offices to 71A St. James Street.

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"Accountant wanted for motor companies in west; must have experience in bookkeeping."—Weekly Paper.

Not perhaps an unreasonable stipulation in the circumstances.—Exchange.

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### FROM WINNIPEG FREE PRESS

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Bookkeeper wanted—I am open to dispose of my connection as accountant and auditor, as I am going east; at present earning \$225 per month and plenty of time to spare; can get more work if wanted; am turning down work all the time; not much experience required. Apply in first instance, stating highest offer, to Box 1794, Free Press.

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DADSON, FITZGERALD & COMPANY,

Huron and Erie Building,

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**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF ONTARIO**

---

(Incorporated 1883.)

R. J. Dilworth, President.

T. Watson Sime, Secretary.

W. J. Valleau, Registrar.

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The 37th Annual General Meeting of the Institute of Chartered Accountants of Ontario was held at the Hotel Carls-Rite, Toronto, on Saturday morning, July 17th, and was largely attended, representatives from many parts of the province being present.

The work of the Council for the past year was reviewed by the President, Mr. Robert J. Dilworth, of Toronto, whose address was of much interest and showed continued progress.

The election of the Council and officers for the ensuing year resulted as follows:—

President, R. J. Dilworth; First Vice-President, Rutherford Williamson; Second Vice-President, Arnold Morphy; Secretary-Treasurer, T. Watson Sime.

Council—Burns, R. Easton, Kingston; Crawley, Arthur A., Ottawa; Eddis, J. Wyndham, Toronto; Higgins, Fred Page, Toronto; Morphy, Arnold, Toronto; Sime, T. Watson, Toronto; Clarkson, G. T., Toronto; Dilworth, R. J., Toronto; Edwards, George, Toronto; Gunn, Edmond, Toronto; Jewell, Francis G., London; Mulholland, G. M., Toronto; Neff, Arthur C., Toronto; Pontifex, Bryan, Toronto; Williamson, R., Toronto.

Representatives on Council of the Dominion Association of Chartered Accountants—Arthur C. Neff, Bryan, Pontifex, Osler Wade.

Auditors—W. K. Colin Campbell, Kris A. Mapp.

At the conclusion of the business meeting a luncheon was held at the Carls-Rite, which was much enjoyed by the members present.

It is with regret we have to announce the death on September 17th, after a short illness, of Mr. Quincy D. Day, a member of the Ontario Institute since 1910.



**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF  
NOVA SCOTIA**

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(Incorporated 1900.)

G. Wallace Dickson, President.

H. D. Creighton, Secretary.

The annual examinations were held in May and the number of students competing was the largest in several years. There were six entries for the Preliminary and two were passed. The Intermediate grade there was one failure out of fifteen entries, and one of the two Final candidates was successful.

As a result of the Final Examinations, Mr. Joseph I. Francis, of Sydney Mines, N.S., was granted a Diploma of Accountancy and admitted a member of this Institute.



**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF  
BRITISH COLUMBIA**

---

(Incorporated 1905.)

J. B. Woodthorpe, President.

H. D. Christie, Secretary-Treasurer.

At the Fifteenth Annual General Meeting of the Institute held in Vancouver, B.C., on Wednesday, July 14th, 1920, many items of interest to the profession were discussed. The report of the retiring president, Mr. W. S. Buttar, dealt with, amongst other matters, the proposed new by-laws and regulations, the raising of the membership subscription, the holding of the annual examinations in December instead of May, as heretofore, and the alteration of the end of the Institute's financial year to 31st January, instead of 30th June.

The following members were elected to serve on the Council during the ensuing year, viz.—A. L. C. Chalk, H. C. Chiene, J. D. Forsyth, H. D. Christie, A. H. Edwards, A. F. Griffiths, G. F. Gyles, G. E. Winter, J. B. Woodthorpe.

Messrs. G. E. Winter and G. Tansley were elected to represent the Institute at the meeting of the Dominion Association of Chartered Accountants, to be held in Toronto in September next, and it was decided to invite the members of the Dominion Association to visit Vancouver in 1921 as the guests of the British Columbia Institute.

At a Council meeting held subsequently the following officers were elected:—

President, J. B. Woodthorpe; Vice-President, G. F. Gyles, Secretary-Treasurer, H. D. Christie.

The following resolutions were also passed:—

(1) That the annual dues of the members practising in British Columbia be raised from \$15.00 to \$25.00 per annum. The non-practising members' fees to remain the same, viz., \$15.00, and that members resident outside the Province be also charged \$15.00 per annum as formerly.

(2) That the Financial year of the Institute end on the 31st January in each year, and that the accounts be made up to the 31st January next.

(3) That the next Intermediate and Final Examinations of the Institute be held on the 1st, 2nd and 3rd of December, 1920, and that in future these examinations be held annually in December. Applications for the December examinations should be in the Secretary's hand *by the 31st of October.*



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THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF SASKATCHEWAN

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(Incorporated 1908.)

B. R. Masecar, President.

Thomas Lax, Secretary.

A matter of importance to the members of the Institute is authorized Tariff of Fees. In common with other professions, accountants have had to face rising costs without a corresponding increase in fees. The council, realizing this, has authorized a new tariff more in keeping with present values. The new form, at present in the press, is a handy size for mailing purposes, and arrange-



ments are being made to supply members with quantities at a reasonable figure. A copy will be mailed to all members at an early date.

The replies to the request for information relative to taxation were not as numerous as the committee in charge anticipated, and members are again requested to forward to the Secretary without delay any rulings or interesting information they may possess with regard to Federal Taxation.

Mr. D. A. Henderson, Inspector of Taxation in the district of Prince Albert, and a member of this Institute, is arranging a series of lectures dealing with the problems of Accountancy and Taxation for the business men of Prince Albert and district.

The by-laws have been consolidated and a printing of a new issue authorized. It is expected to have same ready for publication at an early date.

# Dominion Association of Chartered Accountants



## OFFICERS 1920-1921

### PRESIDENT :

GEORGE E. WINTER .. .. . Vancouver, B.C.

### VICE-PRESIDENT :

H. D. CREIGHTON .. .. . Halifax, N.S.

### SECRETARY-TREASURER :

H. D. CHRISTIE .. 905 Yorkshire Building, Vancouver, B.C.

## COUNCIL

### REPRESENTATIVE

### ELECTED BY

J. A. GRANT, Montreal, Que. ..	}	The Association of Accountants in Montreal.
JAMES HUTCHISON, Montreal, Que. ..		
ARTHUR C. NEFF, Toronto, Ont. ..	}	The Institute of Chartered Accountants of Ontario.
BRYAN PONTIFEX, Toronto, Ont. ..		
OSLER WADE, Toronto, Ont. ..		
JOHN PARTON, Winnipeg, Man. ..	}	The Institute of Chartered Accountants of Manitoba.
F. C. GILBERT, Winnipeg, Man. ..		
G. W. DIXON, Halifax, N.S. ..	{	The Institute of Chartered Accountants of Nova Scotia.
GEORGE E. WINTER, Vancouver, B.C. }	}	The Institute of Chartered Accountants of British Columbia.
J. HAYDEN YOUNG, Vancouver, B.C. }		
G. C. ROOKE, Regina, Sask. .	}	The Institute of Chartered Accountants of Saskatchewan.
B. R. MASECAR, Saskatoon, Sask. ..		
J. B. SUTHERLAND, Calgary, Alta. ..	}	The Institute of Chartered Accountants of Alberta.
W. H. A. THOMPSON, Calgary, Alta. }		
W. A. LOUDOUN, Fredericton, N.B. ..	{	The Institute of Chartered Accountants of New Brunswick.

OFFICIAL LIST MEMBERS DOMINION ASSOCIATION OF  
CHARTERED ACCOUNTANTS

NOTE.—This list does not contain the names of those members of a Provincial Society non-resident in Canada, By-Law No. 1 of the Dominion Association of Chartered Accountants providing "the membership shall be *ipso facto* the members in good standing resident in Canada," etc.

The Association of Accountants in Montreal

- APEDAILE, J. L., c/o Price Bros., Quebec.
- BAKER, C. W., 232 St. James Street, Montreal.
- BAKER, E. M., 117 Church Street, Windsor, Ontario.
- BALLANTYNE, A., c/o Marwick Mitchell and Company, Montreal.
- BENNETT, E. J., 1528 Bank of Hamilton Building, Toronto.
- BIRNIE, J. G., 232 St. James Street, Montreal.
- BLACKSTONE, F. GORDON, 1008 Eastern Township Building, Montreal.
- BRIMACOMBE, L., 180 St. James Street, Montreal.
- BRODIE, A. B., 608 Dominion Express Building, Montreal.
- BURDEN, G. S., 80 St. Francois Xavier Street, Montreal.
- CAMPBELL, S. R., 142 Notre Dame street West, Montreal.
- CINQ MARS, A., 50 Notre Dame Street West, Montreal.
- CLAGUE, J. A., Sun Life Assurance Company, Montreal.
- CLAPPERTON, H. D., 80 St. Francois Xavier Street, Montreal.
- COLE, A. W., 157 St. James Street, Montreal.
- COLE, ERNEST C., 84 Commercial Union Building, Montreal.
- CROSS, A., 142 Notre Dame Street West, Montreal.
- CURRIE, G. S., 179 St. James Street, Montreal.
- CUSHING, L., 80 St. Francois Xavier Street, Montreal.
- DAVENPORT, GEO., Room 200, 103 St. Francois Xavier St., Montreal.
- DOWIE, L. A., 10 Adelaide Street East, Toronto.
- DURNFORD, GEO., 189 St. James Street, Montreal.
- EDWARDS, H. P., 107 St. James Street, Montreal.
- FERRIE, R., 802 Royal Bank Building, Toronto.
- FISK, A. K., 703-4 Eastern Townships Bank Building, Montreal.
- GAGNON, P. A., 316 Quebec Bank Building, Montreal.
- GOWAN, A. A., 17 St. John Street, Montreal.
- GRANT, J. A., 142 Notre Dame Street West, Montreal.
- HAINS, JOHN MCD., 412 Coristine Building, Montreal.
- HILL, M. S. T., 235 Board of Trade Building, Montreal.
- HODGSON, C. A., 80 St. Francois Xavier Street, Montreal.
- HODGSON, G. W., 511 Power Building, 83 Craig Street West, Montreal.
- HOPE, A. E. M., 263 St. James Street, Montreal.
- HUNTER, GEO. JR., 80 St. Francois Xavier Street, Montreal.
- HUTCHISON, JAS., 80 St. Francois Xavier Street, Montreal.
- HYDE, JOHN, 18 St. Alexis Street, Montreal.
- JONES, G. MCCARTHY, 854 Lorne Crescent, Montreal.
- JONES, W. S., 137 McGill Street, Montreal.



- KERR, DAVID S., 232 St. James Street, Montreal.  
 KING, HAROLD, 591 St. Catharines Street West, Montreal.  
 KINGAN, G. B., 120 St. James Street, Montreal.  
 KENT, L., 180 St. James Street, Montreal.  
 L'HEUREUX, J. A., 296 St. Paul Street West, Montreal.  
 LABELLE, J. Z., Riddell, Stead, Graham & Hutchison, 80 St. Francois Xavier Street, Montreal.  
 LARUE, J. A., 126 Rue St. Pierre, Quebec.  
 MACINTOSH, P., 157 St. James Street, Montreal.  
 McDONALD, G. C., 179 St. James Street, Montreal.  
 McNAB, J. C., 201 Royal Trust Building, Montreal.  
 MIDGLEY, H. E., 103 St. Francois Xavier Street, Montreal.  
 MILLAR, ROBERT, 71A St. James Street, Montreal.  
 MITCHELL, A. F., 69 St. Francois Xavier Street, Montreal.  
 MUNDELL, W. J., 27 Alloway Avenue, Winnipeg, Man.  
 MURRAY, JR., J. R., 241 Clarke Ave., Westmount, Que.  
 PARENTEAU, L. C., 103 St. Francois Xavier Street, Montreal.  
 PATERSON, C. A., 157 St. James Street, Montreal.  
 PATERSON, JOHN, 80 St. Francois Xavier Street, Montreal.  
 PAYNE, GORDON S., 232 St. James Street, Montreal.  
 PECKHAM, S. BRITAIN, 142 Notre Dame Street West, Montreal.  
 PEEL, EDWIN, 109 Board of Trade Building, Montreal.  
 PIPER, H. S. T., 210 Madison Avenue, Montreal.  
 PLIMSOLL, A. H., 210 Milton Street, Montreal.  
 PROBYN, PERCIVAL, 145 St. James Street, Montreal.  
 RATHIE, A. H., 470 Granville Street, Vancouver, B.C.  
 RATHIE, W. W., 120 St. James Street, Montreal.  
 RIDDELL, A. F., 80 St. Francois Xavier Street, Montreal.  
 RITCHIE, C. F., 211 McGill Street, Montreal.  
 ROBERTSON, A. S., 128 Bleury Street, Montreal.  
 ROSS, ALEX. F. C., 142 Notre Dame Street West, Montreal.  
 ROSS, J. G., 142 Notre Dame Street West, Montreal.  
 ROSS, JOHN W., 142 Notre Dame Street West, Montreal.  
 ROSS, R. C., 80 St. Francois Xavier Street, Montreal.  
 SCOTT, GORDON W., 142 Notre Dame Street West, Montreal.  
 SHARP, F. W., 501 Power Building, Montreal.  
 SKELTON, C. HAROLD, 703-4 Eastern Townships Bank Building, Montreal.  
 SMIBERT, ALFRED, 80 St. Francois Xavier Street, Montreal.  
 SMITH, H. MEREDITH, 180 St. James Street, Montreal.  
 STEAD, A. C., 80 St. Francois Xavier Street Montreal.  
 STEVENSON, A. W., 802 Eastern Townships Bank Building, Montreal.  
 STEVENSON, REGINALD C., c/o A. K. Fisk, Skelton & Co., 263 St. James St., Montreal.  
 TANSLEY, GORDON W., 205 St. James Street, Montreal.  
 THOMSON, W. GARTH., 260 St. James Street, Montreal.

## OFFICIAL LIST OF MEMBERS

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TRUDEL, EUGENE, 126 St. Peter Street, Quebec, Que.  
TURNBULL, F. MARTIN, 501 Power Building, Montreal.  
TURVILLE, FRANK P., 17 St. John Street, Montreal.  
WILSON, ROBT., Board of Trade Building, Montreal.  
WILSON, W. S., 83 Bank of Ottawa Building, Montreal.  
WURTELE, E. F., Box 67 Station "B", Montreal.

### The Institute of Chartered Accountants of Ontario

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ALLEN LOFTUS A., 408 Manning Chambers, Toronto.  
ANDERSON, J. DONALD, 303 Board of Trade Building, P. O. Box 95,  
Montreal.  
ANDREWS, W. S., 4 Beaumont Road, Toronto.  
ARCHER, L. W., 4 Coulson Avenue, Toronto.  
ARNOLD, ARTHUR, Blantyre Avenue, Toronto.  
ATKINSON, J. L., Room 21, 10 Adelaide St. East, Toronto.  
BARBER, HENRY, 18 Wellington Street East, Toronto.  
BATES, H. S., 193 Sparks Street, Ottawa.  
BAXTER, P. C., 26 Queen Street East, Toronto.  
BEGG, G. M., 18 Oriole Gardens, Toronto.  
BENSON, WM. C., Bank of B.N.A., London, Ont.  
BERNER, WALTER G., 708 Continental Life Building, Toronto.  
BLANCHARD, A., 93 Worthington Street West, North Bay.  
BLATCH, G. L., 193 Sparks Street, Ottawa.  
BOUNSALL, R. H., 193 Sparks Street, Ottawa.  
BROWN, J. ALBERT, Athelma Apartments, Toronto.  
BUNNELL, A. K., City Hall, Brantford.  
BURNS, R. E., Ontario Chambers, Kingston.  
CALDER, A. G., 58 Bank of Toronto Chambers, London, Ont.  
CAMPBELL, G. D., 59 Yonge Street, Toronto.  
CAMPBELL, W. K. COLIN, 59 Yonge Street, Toronto.  
CARSWELL, WM., 121 Shearer Street, Montreal.  
CHAMBERLAIN, A. F., 74 Nepean Street, Ottawa.  
CLARK, T. S., Cobalt, Ont.  
CLARKE, J., 32 Church Street, Toronto.  
CLARKE, J. J., Room 5, 25 Toronto Street, Toronto, Ont.  
CLARKSON, E. R. C., 15 Wellington Street West, Toronto.  
CLARKSON, G. T., 15 Wellington Street West, Toronto.  
COOPER, R. J., 43 Heath Street East, Toronto.  
CRAIG, W. H., 109 Gore Street, Kingston.  
CRAWFORD, J. E., 109 Cuthertson Block, Fort William.  
CRAWLEY, A. A., 50 Albert Street, Ottawa.  
CRINGAN, J. W., 633 Church Street, Toronto.  
CULLEN, H. AUSTIN, 120 Dowling Avenue, Toronto.  
CUNNINGHAM, G. DE H., 165 Spark Street, Ottawa.  
CUNNINGHAM, J. F., 165 Spark Street, Ottawa.



- DAWSON, P. H. B., Union Bank Chambers, Fort William.  
DILWORTH, R. J., 15 Wellington Street West, Toronto.  
DOGGERELL, A. J., 776 Wellington Street, London.  
DRAPER, GORDON V., 402 Royal Bank Building, Toronto.  
DUNLOP, W. M., 193 Sparks Street, Ottawa.
- EDDIS, C. S., Continental Life Building, Toronto.  
EDDIS, J. W., Continental Life Building, Toronto.  
EDWARDS, A. GEOFFREY, 10 Adelaide Street East, Toronto.  
EDWARDS, GEO., 10 Adelaide Street East, Toronto.  
EDWARDS, H. PERCY, 10 Adelaide Street East, Toronto.  
EDWARDS, JOHN M., 10 Adelaide Street East, Toronto.  
EDWARDS, OSWALD N., 604 McGill Building, Montreal.
- FALLS, A. F., Victoria Block, Chatham, Ont.  
FARISH, D. H. M., 1072 Bathurst Street, Toronto.  
FENTON, WILSON, 17-31 King Street East, Toronto.  
FERGUSON, W. S., Forum Building, Toronto.  
FLEMING, C. A., 823 Second Avenue, Owen Sound.
- GAWTHORP, H. H., 9 Fernwood Park Avenue, Toronto.  
GEGGIE, THOMAS P., 116 Dowling Avenue, Toronto.  
GEORGE, JAMES, 921 Bank of Hamilton Building, Toronto.  
GERRY, NELSON B., 14 Indian Road, Toronto.  
GIBBS, FRANK P., McLagan Furniture Company, Stratford.  
GLATT, GEO. F., 24 King Street West, Toronto.  
GODFREY, THOS. D., 640 Huron Street, Toronto.  
GODSON, W. P., 30 Leopold Street, Toronto.  
GOLDMAN, L., 112 King Street West, Toronto.  
GOODMAN, M., Room 34, 14 St. John Street, Montreal.  
GORDON, H. D. L., 15 Wellington Street West, Toronto.  
GRANT, RUSSELL R., 302 Avenue Road, Toronto.  
GUILFOYLE, HARVEY E., 15 Wellington Street West, Toronto.  
GUNN, EDMOND, 25 Toronto Street, Toronto.
- HAMMILL, LANSDALE, 1603 Royal Bank Building, Toronto.  
HAMPTON, JAS. H., 47 Adelaide Street East, Toronto.  
HARBINSON, V. D., 408 Manning Chambers, Toronto.  
HARDY, JAMES, 15½ Toronto Street, Toronto.  
HAYWOOD, L. J., 48 Canada Life Building, Toronto.  
HIGGINS, F. P., 47 Adelaide Street East, Toronto.  
HILBORN, MELVIN, 1026 Bank of Hamilton Building, Toronto.  
HILLMAN, H. P. L., 648 Ontario Street, Toronto.  
HILL, T. PERCY, 145 St. James Street, Montreal.  
HOUSTON, WM. F., 32 Church Street, Toronto.  
HOWSON, E. J., 1026 Bank of Hamilton Building, Toronto.  
HUDSON, O. M., 32 Church Street, Toronto.  
HUGHES, JOHN, Hudsons Bay Company, Winnipeg.  
HURST, FRED. C., 25 Toronto Street, Toronto.



## OFFICIAL LIST OF MEMBERS

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JENKINS, THOS., 15½ Toronto Street, Toronto.  
JEPHCOTT, A., 469 King Street West, Toronto.  
JEWELL, F. G., 314 Dominion Savings Building, London.  
JOHNSON, R. W., "Times" Building, St. Thomas.  
JOHNSTON, R. L., 183 Church Street, Toronto.  
  
KERNAHAN, W. T., 17 Gould Street, Toronto.  
KERR, FRANK L., 15 Wellington Street West, Toronto.  
KETTLEWELL, W. C., 105 Davenport Road, Toronto.  
KIDD, F. H., 5-6 Merchants Bank Building, Nanaimo, B.C.  
KITTSOON, H. N., 25 Main Street West, Hamilton.  
  
LANG, J. N., 86 Adelaide Street East, Toronto.  
LANGLEY, J. P., McKinnon Building, Toronto.  
LARMONTH, E. A., 46 Elgin Street, Ottawa.  
LAWLESS, THOS. E., 304 Crown Life Building, Toronto.  
LAWSON, A. T., Canadian National Railways, Toronto.  
LEISHMAN, E. J., 906 Excelsior Life Building, Toronto.  
LEVACK, W. P., 99 Northcliffe Avenue, Toronto.  
LORD, H. L., St. Blaise, Que.  
LORIMER, W. A., 165 Beech Avenue, Toronto.  
  
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MAPP, KRIS A., Room 21, 10 Adelaide Street East, Toronto.  
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MARTIN, N. L., 73 King Street West, Toronto.  
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MORRISON, G. W., 70 Wellington Street West, Toronto.  
MORRISON, S. A., Union Bank Building, Toronto.  
MORRIS, W. R., 375 Water Street, Peterboro'.  
MORTIMER, H., Confederation Life Building, Toronto.  
MULHOLLAND, G. M., 1026 Bank of Hamilton Building, Toronto.  
MUTRIE, J. T., Vernon, B.C.  
MCLEAN, C. M., 172 Bellefair Avenue, Toronto.  
McCLELLAND, D. McK., 802 Royal Bank Building, Toronto.  
McDERMID, E. B., 711 Rogers Building, Vancouver, B.C.  
McLEOD, NORMAN B., 803 Kent Building, Toronto.  
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McMILLAN, JAMES, 295 Princess Avenue, London.

- MCNABB, JOHN D., 15 Wellington Street West, Toronto.  
MCPHERSON, R. S., 1026 Bank of Hamilton Building, Toronto.  
NASMITH, H. C., Port Perry, Ont.  
NEFF, A. C., 70 Victoria Street, Toronto.  
OSLER, A. E., Jordon and Melinda Streets, Toronto.  
PARKER, ANGUS M., 57 Silver Birch Avenue, Toronto.  
PARKER, C. J., 10 William Street, Brantford.  
PELLING, C. H., 15 Wellington Street West, Toronto.  
PENTELOW, W. M., 11 Stuart Street, Guelph.  
PETERS, GORDON A., 24 King Street West, Toronto.  
PETTIT, W. H., 32 Church Street, Toronto.  
PIRIE, W. S., 883 Somerset Street, Ottawa.  
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ROBERTS, C. PERCY, 38 Carlton Street, Toronto.  
ROBERTS, F. E., 25 Toronto Street, Toronto.  
ROBERTSON, I. P. MCL., 70 Victoria Street, Toronto.  
ROBERTSON, JOHN B., 24 King Street West, Toronto.  
ROBINS, JNO. F., P.O. Box 41, Toronto.  
ROBINSON, M. H., 17 St. John Street, Montreal.  
ROSS, W. J., Sudbury, Ont.  
ROUGVIE, JOHN N., 510 Union Bank Building, Ottawa, Ont.  
ROWLANDS, R. F., 43 Victoria Street, Toronto.  
RUMBLE, I. A., 24 King Street West, Toronto.  
SCOTT, C. S., 28 James Street South, Hamilton.  
SCOTT, S. C., City Hall, Toronto.  
SCULLY, JAMES M., Kitchener, Ont.  
SEBURN, T. I., 19 Melinda Street, Toronto.  
SHEPARD, A. B., 1026 Bank of Hamilton Building, Toronto.  
SHIACH, H. A., 86 Adelaide Street East, Toronto.  
SHIELL, ROBT., 15 Wellington Street West, Toronto.  
SHORT, FRANK G., 43 Victoria Street, Toronto.  
SHULTIS, A., 44 William Street, Brantford.  
SIME, T. WATSON, 728 Bank of Hamilton Building, Toronto.  
SMITH, G. E. F., Care of Dominion Cannery, Limited, Hamilton  
SMITH, JAMES S., 47A Pearson Avenue, Toronto.  
SORLEY, S. H., 1026 Bank of Hamilton Building, Toronto.  
SOUTAR, A. F., 6 Cuthbert Crescent, Toronto.  
SPENCE, R. F., Room 28, 82-88 King Street East, Toronto.  
STEPHENS, H. A., 22 Church Street, Toronto.  
STEPHENS, R. E., 320 St. George Street, Toronto.  
STIFF, F. J., 728 Bank of Hamilton Building, Toronto.  
STIFF, G. U., 728 Bank of Hamilton Building, Toronto.  
STONE, C. E., 7 King Street West, Toronto.  
SUTCLIFFE, J. I., 28 Wellington Street East, Toronto.  
TAYLOR, S. A., 166 Browning Avenue, Toronto.



## OFFICIAL LIST OF MEMBERS

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THORNE, JOHN L., 1026 Bank of Hamilton Building, Toronto.  
TINDALL, W. B., 26 Ernest Avenue, Toronto.  
TODD, A. H., 245 Bathurst Street, Toronto.  
TOLLEY, W. A., City Auditor, City Hall, Ottawa.  
TOWNSEND, S. E., 7 Iroquois Avenue, Toronto.  
TURNER, JAMES (T. Eaton Co., Ltd.), Toronto.  
VANSTONE, H. W., 1026 Bank of Hamilton Building, Toronto.  
VICEON, HARRY, 2 Leader Lane, Toronto.  
VICEON, H. FRANK, 2 Leader Lane, Toronto.  
WADE, OSLER, 32 Front Street West, Toronto.  
WALKER, A. J., 86 Adelaide Street East, Toronto.  
WALLACE, JOHN D., 86 Adelaide Street East, Toronto.  
WELCH, HARRY J., 59 Yonge Street, Toronto.  
WELCH, GEO. A., 46 Elgin Street, Ottawa.  
WESTERVELT, J. W., London.  
WILLIAMSON, R., 86 Adelaide Street East, Toronto.  
WOOD, E. R., 26 King Street East, Toronto.  
YOUNG, J. H., 64 Wellington Street West, Toronto.  
YOUNG, R. E., 48 Canada Life Building, Toronto.

### The Institute of Chartered Accountants of Manitoba

ANDERSON, J. S., 610 McArthur Building, Winnipeg.  
ANDERSON, THOS., 141 Sherbrook Street, Winnipeg.  
ARMSTRONG, A., 808 Confederation Life Building, Winnipeg.  
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The Canadian Chartered Accountant for: July, 1911; October, 1911; April, 1912; October, 1914; January, 1915; July, 1915; October, 1919.

# THE CANADIAN CHARTERED ACCOUNTANT

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## A NEW YEAR'S MESSAGE TO THE MEMBERS OF THE DOMINION ASSOCIATION

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**I**T is customary at this season to review the past year and make resolutions for the future. Doubtless we all started out early in the year with the best resolves and have now to confess that we have fallen far short of the mark we had hoped to attain, but by our efforts we have gained much and we look forward with renewed hope to the New Year. We have much to be thankful for.

There is no doubt but that the Chartered Accountant in Canada to-day finds his profession more appreciated by the public than ever before; greater demands are being made upon him and consequently his responsibilities are greater. The membership of the Dominion Association continues to grow, and with such growth our opportunities of service to our country increase. The wealth of knowledge accumulated during years of practice must necessarily so equip those who follow our profession as to enable them, if they choose, to be of great benefit and service to the communities in which they reside.

Are we, the members of the Dominion Association, taking as prominent a place as we might in the public life of Canada? We can make our profession a potent factor in the advancement of our community interests by taking an active part, by keeping our ideals high, and attempting to measure up to them.

"There is no influence in any community more potent and powerful for the accomplishment of good than that of the business and professional man unselfishly banded together for the purpose of promoting the general welfare of the entire citizenship."

Our profession has claims upon part of your time and should receive your support. At our next Annual Meeting matters of great interest to all are to be discussed. Might I, at this time, remind you that we meet next August at the invitation of the Institute of British Columbia? Make one of your resolutions at this time, that you will attend.

My best wishes for a very happy and prosperous New Year.

GEORGE E. WINTER, *President.*

THE BANKRUPTCY ACT\*

BY G. T. CLARKSON, F.C.A.

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A FEW weeks ago, while on holidays, I was informed, in a casual manner, by one of our mutual friends, that I was expected to address this Conference on the new Federal Bankruptcy Act. I did not take the suggestion seriously, and it came, therefore, as somewhat of a surprise to me when I found that I had actually been set down to make an address to you on the subject. I have not prepared any formal paper, but with the Bankruptcy Act covering a wide field, as it does, feel that I can best deal with the reasons for its enactment, the changes which it brings about and the terms of the Act itself by discussing the matter in an informal way.

Under the British North America Act the Federal Government has exclusive control over matters affecting bankruptcy and insolvency, and in the exercise of such powers an Insolvency Act was passed by it in 1869. This Act continued in force for about six years, but fell into disfavor particularly for the reason that the costs of administration under it were felt to be unduly high, and because debtors were able to obtain discharges with undue ease. As a result, the Act was repealed in 1875, when a new Act was passed. After being twice amended, this latter Act was repealed in 1880, since which date there has been no Dominion legislation controlling matters affecting insolvency excepting the Dominion Winding-up Act, which deals exclusively with the liquidation of limited liability corporations.

With the repeal of the Federal Insolvency Act in 1880, the provinces were left under the necessity of passing legislation which would provide for the distribution in an equitable manner of the assets of insolvent persons and partnerships amongst their creditors. Accordingly, Assignments and Preferences Acts were passed by one province after another, the Acts being so called for the reason that they are founded and based upon the voluntary assignment or transfer by a debtor of his assets to a trustee, who, with the realization of such assets, is required to divide them among creditors in the manner provided by the Assignment Act, and subject to any other laws governing property rights in the province where the assets of the debtor are situate. The Ontario Assignments and Preferences Act, as one of the first of such Acts to be passed by a province, was

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\* Address delivered at Annual Convention of the Dominion Association of Chartered Accountants, Toronto, September 14th, 1920.



attacked as *ultra vires* on the ground that it related to bankruptcy and insolvency, which was a matter within the sole control of the Federal Parliament. The attack was unsuccessful, the Act being held by the Privy Council to be *intra vires* so long as there was no Dominion legislation in force with which it was in conflict. With no Dominion legislation—in so far as it affected the insolvency or bankruptcy of persons or partnerships—in force between 1880 and 1919, the Provincial Assignments and Preferences Acts have, under such judgment of the Privy Council, therefore, remained *intra vires*, and of full force and effect, but, with the passage of the new Federal Bankruptcy Act in 1919, they will now be *ultra vires* to all extents to which they may conflict with it. This means, in practical effect, that they are now superseded by the Bankruptcy Act.

In their operation the Assignments and Preferences Acts have in most of the provinces provided a simple and economical method for the realization and division of the assets of debtors amongst their creditors. In certain instances, however, provincial laws governing property and civil rights have allowed claims of such character and to such extents to be made against the estates of insolvents as have penalized trade creditors severely, while at the same time costs of administration in certain provinces—but in certain of them only—have become excessive. The Acts are deficient in that, except in Quebec, they provide no means whereunder an unwilling debtor can be compelled to turn over his assets to his creditors. With the laws affecting property and civil rights different in the nine provinces, it has been difficult for creditors to keep in touch with all of them, in so far as they affect the ranking of claims and the division of assets of estates between creditors. None of the Acts provide, nor can they provide, for the discharge of a debtor who has been unfortunate; neither are there provisions preventing a debtor who has committed fraud from obtaining a discharge, but with the question of discharge resting wholly a matter of bargain between a debtor and his creditors, a fraudulent debtor has usually been able to compound with his creditors and continue in business. These conditions have permitted avaricious creditors, seeking preferment, to penalize, if not prevent, an unfortunate debtor from obtaining a discharge, except upon terms or special treatment accorded to them; at the same time, they have allowed debtors, who have committed fraud, to bargain with their creditors individually, and frequently to obtain discharges at rates which have left them with profit, thus providing an incentive to them to again commit fraud as a method of making money at the expense of creditors.

While the Dominion Government, since the repeal of the Insolvency Act in 1880, and prior to the passage of the Bankruptcy Act of 1919, has refrained from enacting legislation in respect of insolvency, in so far as it affects individuals and partnerships, it has exercised control to some extent with respect to the insolvency of limited liability corporations, and through the medium of the Dominion Winding-up Act. Under this Act a corporation may be wound up after proof of certain conditions making it insolvent, when its assets are transferred to a liquidator, who is empowered, under the supervision of the Court, to realize upon such assets and divide the proceeds amongst creditors. It has been accepted that the Dominion Winding-up Act does not prevent a corporation from making an assignment under a Provincial Act for the benefit of its creditors, but once a Winding-up Order is granted and put in force, it supercedes an assignment. Frequently a Winding-up Order is granted and stayed in order to allow a corporation to be wound up under an assignment previously made as the more economical method of liquidation, but in recent years the question has been raised more than once as to whether there is not danger in this course, and the possibility that all proceedings under an assignment may be made invalid and capable of being set aside if a Winding-up Order shall at a later time be granted upon a petition filed concurrently with the execution of the assignment and thereafter be proceeded with.

Under the Winding-up Act an unwilling debtor corporation can be compelled to hand its assets over to a liquidator for the benefit of its creditors, whereas, under the Assignments and Preferences Acts, an unwilling debtor cannot be compelled to do so except in the Province of Quebec. One or two classes of claims, which are definitely preferred under the Assignments Act—sometimes to the disadvantage of trade creditors—are, in addition, preferred under the Winding-up Act only if certain conditions can be or have been complied with. The Winding-up Act is of the same force and effect throughout the whole of the Dominion, whereas the Assignments Acts vary in effect according to the laws of each province. Under these conditions one would naturally assume that, curing certain disabilities met with in the use of the Assignments Acts, the Dominion Winding-up Act would be favorably looked upon by creditors and employed whenever the necessity of liquidating a company should arise. This is distinctly not the case, however, but, on the contrary, creditors invariably prefer to have an insolvent corporation wound up under the Assignments Act of the province in which its assets are located, largely because of the excessive cost of liquidating such a company under the



Winding-up Act. This burden of cost is not entirely due to the terms and provisions of the Act itself, but largely to the rules, regulations and formalities by which administration of it has become surrounded, making it absolutely impossible for any liquidator or his counsel, with the constant applications necessary to be made in Court, to complete the winding up of an estate with anything like the economy in time and money possible under an Assignment Act. As an economical medium for the liquidation of limited corporations, the Winding-up Act is, therefore, not a complete success; there are also no provisions in it facilitating the obtaining of an extension or discharge by a corporation against the wishes of minority creditors.

As a further medium for the winding up of the affairs of limited liability corporations, a number of provinces have passed Acts which permit the voluntary winding up of companies incorporated under charters from such provinces. These Acts do not relate to the winding up of companies which are insolvent, but lay down the procedures to be adopted for the realization and division of the assets of companies, able to pay their liabilities in full, which desire to retire from business and surrender their charters. I am not very familiar with such Acts of other provinces, but that for the Province of Ontario is cumbersome, and use of it is usually avoided where other means to obtain the end sought are available. These Acts, in any event, do not relate to insolvency or bankruptcy.

From the preceding it will be seen that, while the Assignments Acts have, with few exceptions, provided economical and satisfactory means for the realization and division of a debtor's assets amongst his creditors, they have been deficient, from the standpoint of creditors, to the extents that they have varied to a greater or less degree in their effects in the different provinces; they have presented no means, outside of Quebec, whereunder an unwilling debtor could be compelled to turn his assets over to his creditors, and in none of the provinces did they, or could they, provide machinery whereunder an honest debtor could obtain a discharge against the objections of any of his creditors, or a dishonest debtor be prevented from procuring a discharge as the result of bargaining with his creditors. The Dominion Winding-up Act, on the other hand, while it lays down the same bases for the liquidation of insolvent corporations in all provinces, has proven to be too expensive in administration, while, also, it has no provisions facilitating or permitting the granting of extensions or discharges to a debtor corporation without the consent of all creditors. With these conditions obtaining, representations were made to the Federal Government that it would be of advantage to Canada as a



whole if an Act were passed which would, amongst other things:—

(a) Provide a uniform basis for all provinces with respect to the bankruptcy and liquidation of estates of persons, firms and corporations, and the methods to be employed in the realization and division of the assets of such persons and corporations;

(b) Compel unwilling debtors to hand over their assets to the creditors;

(c) Provide means whereunder compromises might be effected and extensions obtained by debtors with the approval of a majority of their creditors and against the objections of a minority;

(d) Provide means whereunder discharges might be obtained by unfortunate but honest debtors, and at the same time prevent dishonest debtors from obtaining discharges, permitting them to remain in business; and, these representations having met with the approval of the Government, the Bankruptcy Act was passed in 1919, and with certain amendments made to it in 1920, it came into force on July 1st, 1920, with the proclamation of the Governor-General-in-Council.

The Bankruptcy Act covers all matters affecting the insolvency of individuals, partnerships and corporations in all parts of Canada, building societies, banks, savings banks, insurance companies, trust companies, loan companies and railway companies being excepted, and left subject to be wound up under the provisions of the Dominion Winding-up Act. In the drafting of the Act the benefits obtained under the Assignment Acts were recognized. Debtors are allowed to make voluntary assignments, and the control of estates is left entirely in the hands of creditors and inspectors appointed by them, with the right of reference to the Courts at times and under such circumstances as have been deemed necessary. In this way economy and expedition in the liquidation of estates will be assured if formalities and unnecessary procedures are not allowed to creep in and surround the administration of the Act. It is of the utmost importance, however, that creditors and trustees should recognize this fact, and resolutely set their faces against allowing the administration of the Act to become surrounded by undue formalities, because otherwise, and if such formalities are permitted, the benefits from the Act are not unlikely to be largely offset and the advantages expected nullified by excessive costs of liquidation.

In order to permit of the division of his assets amongst his creditors a debtor is allowed by the Act to make a voluntary assignment to a trustee, as under the Assignment Acts, but machinery is also provided whereunder a Receiving Order may be made against any debtor who is unwilling to turn his assets over to his creditors,

or who has committed an act of bankruptcy. Such an assignment may be made only to an authorized trustee—one appointed by the Federal Government—who has furnished security for the proper carrying out of his duties, and if an assignment be made to other than an authorized trustee, it is void. Similarly, an authorized trustee only can be appointed a Receiver in Bankruptcy. Although there can be little doubt but that it is intended that trust companies should be entitled to be appointed authorized trustees and accept assignments and receiverships, some question exists as to whether, under the terms of Section 14 of the Act, and in particular the definition in the Act of the word "person," they fall within the classes of those entitled to be appointed. It would seem that the Act should be amended in this particular to make their right to be appointed clear.

With new legislation, such as the Bankruptcy Act, it is to be expected that conditions will arise which are not fully provided for by it, and this particularly in respect of the liquidation of limited liability corporations. In order to meet such a possibility, and to assure that the liquidation of such companies shall not be held up indeterminately pending decision on any points in controversy, the Act provides that the Court may, if, in its opinion, it seems advisable so to do, allow the winding up of limited corporations to be effected under the Dominion Winding-up Act instead of under the provisions of the Bankruptcy Act. The section permitting this to be done was included, not with the intention that limited liability corporations should continue to be wound up under the Winding-up Act, but merely in order to provide relief and permit protection of creditors' interests.

Within five days after the making of an assignment or receiving order, a trustee accepting an assignment under the Act is required by the Act to call a meeting of creditors, to be held at a time not later than fifteen days after the mailing of notice of meeting. Thus the maximum time allowed between the making of an assignment or receiving order and the meeting of creditors is twenty days. In calling such meeting notices must be sent to the creditors, with a draft form of proxy on which the name of the trustee must not be inscribed. A special form of notice has also to be sent to the debtor, requiring his attendance at the meeting. In the meantime, the assignment or receiving order has to be registered with the Registrar of the Bankruptcy Court and notice of it given to Ottawa, while a copy of the notice of the assignment or receiving order and of the meeting of creditors must be published in the Canada "Gazette." There appears to be no provision in the Act requiring that notices of a meeting of creditors shall be given to the shareholders of a limited liability



corporation which shall assign. This is an omission which will require to be rectified, for very frequently shareholders have a most substantial equity in the assets of an insolvent company and a right to be heard in connection with the disposition of such equity.

Immediately with the making of an assignment or receiving order, the trustee is required to insure the assets of a debtor for their full insurable value, and he may not insure such assets for a lesser amount without the consent and approval of the inspectors of the estate in writing. The trustee may also carry on the business of a debtor with the approval in writing of the inspectors, and then only to such extents as they shall authorize. Inasmuch as a period of time will always intervene between the date of any assignment and the appointment of inspectors by the creditors, these provisions may upon occasions become very embarrassing to trustees, particularly with respect to the question of insurance. As an example, I would state that we have an estate in our hands at the present time where assets of a hazardous nature are appraised at a very large amount, as against which, I am convinced, that upon forced sale they will not realize more than 25 per cent. of such sum. To insure these assets for the full insurable value would mean to pay a premium equal to a considerable percentage of their realizable value. In the event that we shall so insure them, it is a certainty that we will be throwing away a large percentage of the dividend which will ultimately go to creditors; on the other hand, if we do not insure them to their full amount, then we may be personally liable for heavy damages in the event of their being destroyed. In the meantime, the affairs of the corporation are so confused that we cannot call a meeting of creditors for at least three weeks so that inspectors may be appointed. This condition of affairs leaves a trustee in an unfair position, and, in my opinion, the Act should be amended to permit him to obtain relief from such a liability with the approval of Court. So far as the carrying on the business of an insolvent is concerned, the trustee, pending the appointment of inspectors, will require to exercise his best judgment and take the advice of the larger creditors, whereafter he can fairly assume that the inspectors will ratify what has been done.

In respect of the meetings of creditors, the Act provides that those creditors only who shall have filed their claims with the trustee shall be allowed to vote, and the bases upon which creditors shall vote are prescribed. With the holding of the first meeting of creditors, at which the debtor is required to be present and explain his affairs, it is contemplated that inspectors shall be appointed, and under the



## THE BANKRUPTCY ACT

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Bankruptcy Act the control of the inspectors over the conduct of the affairs of an estate appears to be very much greater than under the Assignment Acts hitherto in use. Under the Assignment Acts the conduct of affairs was left largely in the hands of creditors, with certain powers voted to or vested in the inspectors. Under the Bankruptcy Act the inspectors are given very ample powers, with little or no mention made as to expression by creditors of their wishes, and the trustee is required to take his instructions from the inspectors. In the taking of his instructions from the inspectors the trustee is required in many instances to receive them in writing. This, perhaps, has its advantages, but it is opposed to current practice, and perhaps in the future it may be found possible to dispense with it.

In respect of securities held by creditors, the Ontario Assignment Act provided that a trustee could redeem them only with the payment of a bonus of 10 per cent. over and above the amount at which they had been valued by the creditor. Under the Bankruptcy Act, any security held by a creditor may be redeemed at its valuation, or the trustee may require the creditor to offer the whole or any part of it for sale by public auction. A secured creditor may require the trustee to elect whether the property held as security will be redeemed by him or put up for sale by public auction, and if the trustee does not elect to redeem or have the property realized within one month after receiving notice from the creditor, the security becomes the property of the creditor at the price at which it was valued by him. A secured creditor may at any time, within two months of the filing of his claim, amend the valuation attached by him to any security, but only provided the trustee has not, in the meantime, elected to acquire it at the original valuation.

In respect of the ranking of creditors against an estate, these changes are provided by the Bankruptcy Act: A husband or wife of a bankrupt is not allowed to rank against her/his estate, or claim for any wages, salary or compensation for work done until all claims of other creditors have been satisfied. Further, no relative of a debtor or member of a firm may claim for wages or salary exceeding three months' wages until all claims of other creditors have been paid. When a limited liability corporation is being wound up, no officer, director or shareholder is entitled to claim for wages for an amount exceeding that for three months. The preferred claim of a landlord is limited to three months' rent, if accrued to the date of the assignment, provided there are assets on the leased premises equal in value thereto. A landlord may, however, prove as an ordinary creditor for any further rent due to the date of the assignment and for any

accelerated rent (not to exceed that for three months) accruing under the terms of his lease, but he may not rank as a creditor for the balance of rent for the unexpired term of the lease. In case, also, a landlord shall rank for accelerated rent and the trustee continue to use the leased premises, the amount paid to the landlord in respect of the accelerated rent shall be credited against any rent payable for the period of occupation by the trustee. Within one month of an assignment the trustee may elect to retain the premises occupied by the debtor for the balance of the term of the lease, or he may disclaim the lease and agreement. If he shall elect to retain the premises, he may assign the lease, provided there is nothing in the contract against sub-letting the premises.

In order that the Act may not conflict or interfere with the control of the provinces over property and civil rights, Section 51 stipulates that nothing in the Act shall interfere with the collection of taxes, rents or assessments payable by or levied or imposed upon the debtor or upon any property of the debtor under any law of the Dominion or of the province wherein such property is situate, or prejudice or affect any lien or charge in respect of such property created by any such laws. This means that taxes and other such rates and assessments are preferred against the assets of an estate, and any liens or encumbrances imposed by or existing under a provincial law are of full force and effect against the assets of a debtor. Income and Excess Profits taxes are also made preferred by this section and the terms of the Act relating thereto.

Under Section 29 of the Act it is provided that if a debtor makes a voluntary settlement of any of his property and thereafter makes an assignment or becomes bankrupt within one year after the date of the settlement, such settlement shall be void, no matter whether the debtor was solvent or insolvent at the time of making it. Further, that if at any time within five years of the making of a settlement, a debtor shall become bankrupt or make an assignment, the settlement shall be void unless he shall be able to prove that at the time of making it he was able to pay his liability without the use of the property transferred. Again, if a debtor enters into a marriage contract by which he agrees to pay money or settle property which he did not own at the time upon his wife, it is provided that no claim can be made against the estate of the debtor in respect of such contract until after all other creditors have been paid.

Section 30 of the Act provides that where a person engaged in any trade or business makes a general assignment to any other person of existing or future book debts, or any part or class thereof,



and is subsequently adjudged a bankrupt or makes an assignment, the transfer shall be void in respect of any accounts remaining uncollected at the time of the assignment unless it shall have been registered in compliance with the provisions of a statute in force in the province where the debtor resides. It is provided, however, that nothing in the section shall render void any assignment of book debts due at the date of the assignment from specified debtors or of debts due under specified contracts. The effect of this section seems to be that general assignments of book debts are void as against creditors (excluding possibly certain classes of them) except in those provinces where there is legislation requiring the registration of such assignments, when, if registered, so as to give public notice of them, they are valid if they do not constitute an illegal preference. In Ontario we have no legislation requiring the registration of assignments of book debts, and accordingly the question has been raised as to whether in this province assignments in general form of present or future book debts will be void or not as against a trustee. It is rather futile to attempt to interpret the legal meaning of the section, but as I read it such a transfer made by a debtor in Ontario (who shall subsequently become a bankrupt) to a wholesale house or manufacturer will probably be void. On the other hand, doubt exists as to whether such an assignment as between a bank and a customer, who may become insolvent, will be valid or invalid, having regard to the fact that the word "person," as interpreted by the Act, appears to exclude building societies, banks, savings banks, insurance companies, loan companies and railway companies. The consensus of opinion is that such an assignment will be of very questionable value. In my opinion, it is much to be regretted if this shall be the case, for in many classes of trade present and future receivables form about the only tangible security which manufacturers, distributors and traders are able to give to their bankers as the basis for obtaining credits needed. Doubt, therefore, as to the validity of such a security will undoubtedly serve to bring about a restriction of credit to certain classes of trade in Ontario which, particularly at this time, cannot be helpful.

With respect to unjust preferences, the law in Ontario hitherto has been that if a debtor makes a conveyance to a creditor which has the effect of giving the creditor an unjust preference, and such conveyance is attacked or the debtor makes an assignment within sixty days after the date of it, then it is presumed *prima facie* to have been made with the intention of preferring the creditor, irrespective of whether it was made voluntarily or under pressure, and it can



be set aside. Further, if no attack be made or the debtor does not assign within sixty days of the date of the conveyance, it has still remained possible to set aside the preference, but only with proof that the creditor receiving the preference knew at the time that the debtor was insolvent—the onus of proof of this fact was left upon those making the attack, however.

Under the Bankruptcy Act any conveyance made within three months of the making of an assignment or receiving order is void and can be set aside, and the mere making of such a conveyance so as to give an unjust preference to a creditor constitutes an act of bankruptcy. On the other hand, there is nothing in the Act dealing with preferences which may have been given prior to within three months of an assignment or receiving order, and it would, therefore, appear unlikely that such preferences can now be set aside.

In the liquidation of limited liability corporations the Act provides a radical departure in so far as the collection of unpaid stock held by shareholders is concerned. Under the Dominion Winding-Up Act amounts unpaid upon capital stock can be collected only after proof has been given to the Court that the other assets of the company are insufficient to pay the creditors in full, and this has resulted in the collection of contributions being deferred until the realizable value of other assets has been fairly well established. Frequently this delay has permitted shareholders to make away with their assets so as to avoid payment of liability. Under the Bankruptcy Act every shareholder is made liable to contribute the amount unpaid on his shares immediately with the making of an assignment or receiving order the trustee being empowered to demand such payment within thirty days. With demand served upon him the contributory has fifteen days within which to contest liability and if he shall fail to notify the trustee that he disputes liability he may not, except with the leave of the Court, set up any defence of which he has not notified the trustee. Should the contributory fail to pay at the end of the thirty days the trustee may, with the approval of the inspectors, apply to the Court and receive judgment and thereafter collection from the contributory. The effect of these provisions will be that immediately upon the failure of a corporation contributories will be called upon to pay their unpaid stock and if the amount of the same shall be substantial, as is frequently the case, shareholders of corporations will come to realize that their best interests will be served by paying their contributions and thereafter liquidating the company themselves, in preference to withholding such payments and forcing it into bankruptcy. In the

event that the liabilities of a limited liability corporation in bankruptcy shall be paid in full and certain shareholders make full payment of their capital stock, while others fail to do so, the rights of all shareholders may be adjusted as between themselves before the Court. Such an adjustment is, however, deemed to be a matter without the bankruptcy proceedings and one with which the trustee is not concerned. Hitherto it has been part of the duties of a liquidator to control the proceedings leading to such adjustments as all facts relating thereto are in his possession and his alone. Under these circumstances, it remains to be seen as to whether in the end it will not be more economical to provide that the trustee shall act in the premises rather than compel the shareholders with no exact knowledge of the facts to take action on their own behalf by the starting of new proceedings.

In the liquidation of estates it is necessary and it has been customary for the trustees to prepare statements of assets and liabilities for submission to the creditors at their first meeting. The Bankruptcy Act requires that the debtor shall prepare a statement of his affairs and prove it and it is upon the basis of this statement that he must submit himself for examination at the first meeting of creditors. The statement so to be furnished by the debtor will undoubtedly be prepared in conjunction with the trustee who is now required to file a copy of it with the Registrar of the Bankruptcy Court.

With the realization of the assets of an estate a dividend must be paid within six months, and thereafter whenever a trustee has sufficient fund on hand out of which to pay creditors 10 per cent. on their claims. A statement of receipts and payments has to be sent to creditors and the final dividend sheet filed at Ottawa. All declared and unpaid dividends are also required to be paid to the Receiver-General of Canada within six months after payment of a final dividend.

Section 40 of the Act deals with the remuneration of a trustee and provides that he shall be paid such amount as shall be voted to him by the creditors at any meeting and if no amount is fixed by the creditors it shall not exceed 5 per cent. of his receipts under any circumstances. Similarly section 67 provides that the amounts payable to attorneys, solicitors or counsel of trustees shall not exceed 5 per cent. of the gross receipts of an estate where the estate exceeds \$5,000, or 10 per cent. where it is less than \$5,000. In the vast majority of estates the remuneration thus provided is completely adequate and in large estates it is very seldom that any trustee and his



counsel—in Ontario, at least—receive any such rates or remuneration. On the other hand there are many estates where the assets are of nominal or small amount, while there are others where fraud has been perpetrated and the assets remaining constitute but a small percentage of those which should be available for creditors. With estates of the latter character it is invariably necessary for a trustee to make extensive examinations of accounts and records as the basis for litigation to recover assets which have been improperly diverted or improperly paid out. If the litigation is successful the augmented estate is frequently substantial in which event the remuneration provided by the Act may be adequate. On the other hand if the litigation instituted should fail for any reason, or be only partially successful, then the amount which could be recovered by the trustee might become negligible and wholly insufficient to meet even his out-of-pocket costs let alone produce any remuneration. So far as the solicitor is concerned, he would under such conditions require to take the litigation on speculation, with knowledge that if it should prove unsuccessful his disbursements might exceed any allowance which he could recover. As trustees and their counsel are only human it is not to be expected that they will be willing to act in connection with estates of such a character and already the effect of the section has become apparent where debtors desiring to assign have had to forego doing so because trustees could not be found who were willing to take charge of their estates. While the intention of the sections is meritorious, therefore, to the extent that they impose limits upon the remuneration which may be paid to trustees and their counsel they are not elastic enough but disregard the practical conditions which exist with respect to small estates or those where extensive litigation has to be undertaken. In my opinion the Sections will require to be amended so as to provide that greater remuneration may be allowed to trustees and their counsel where the conditions make it reasonable that they should receive the same, and I think the interests of the creditors will be fully protected if additional remuneration be allowed only with the approval of creditors or inspectors and the subsequent approval of the Court. Under present conditions, however, it is undoubted that the effect of the sections will have to be drawn to the attention of the government and amendments asked for.

The Act provides that when the Winding-up of an estate has been completed the trustee may obtain a discharge by Order-of-Court. Before obtaining this discharge he must file a complete statement of his receipts and payments, together with a report upon the affairs of the estate, after which notice of the application of the



## THE BANKRUPTCY ACT

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discharge must be given to the creditors and the debtor who may appear and contest the same if they desire to. If no objection be registered to it the trustee gets his discharge. In respect of such applications for discharges I sincerely hope that a resolution of inspectors or creditors will be accepted by the Court as adequate proof of the proper performance by a trustee of his duties and that the Court will not impose the cost and delay upon the estate of vouching and examining into all receipts and payments.

In addition to dealing with matters affecting bankruptcy the Act contains provisions whereunder a debtor may obtain a composition or an extension of time for the payment of his liabilities. Under these provisions a debtor may call a meeting of his creditors, through the medium of an authorized trustee, and place a statement of his affairs before them, with the proposal which he desires to make for a composition or extension. When the meeting of creditors be held the debtor may be examined, and thereafter if two-thirds of his creditors in amount approve of the proposal, or any amendment thereto, it shall be deemed to have been accepted, and when approved by the Court shall be binding upon all creditors. A creditor may object to the granting of a composition or extension, in which event he will be heard by the Court, which is empowered to withhold approval of the scheme of arrangement or compromise. A debtor having committed an act of bankruptcy in asking for the composition or extension he may be adjudged a bankrupt if the scheme is not approved of. These provisions permit a debtor, who has been unfortunate but is honest, to compromise his liabilities to his creditors or to obtain an extension of time for the payment of his debts, with the approval of the majority of the creditors, and they protect the debtor from being penalized by importunate creditors who are unwilling to accord to any such arrangement except upon special terms granted to them.

Finally the Act deals with what are bankruptcy offences or offences which when committed prevent a bankrupt receiving a discharge except upon terms laid down by the Court. A debtor commits a bankruptcy offence when he does not disclose the whole of his property; if he fails to keep records sufficient to disclose his business transaction within three years preceding his bankruptcy; if he makes a material omission in his statement of affairs; if he allows a false debt to be proved against his estate; if he destroys or conceals any of his records; if he makes a false entry in his books or improperly alters any document; if he attempts to account for his property by claiming fictitious losses; if he has obtained

credit by false representations; if he has made false statements in writing with the intent to mislead as to his financial position; if he has continued to trade after knowing himself to be insolvent. An undischarged bankrupt commits an offence when he obtains credit in excess of \$50.00 without notice that he is an undischarged bankrupt, or he uses a deceptive name in business. A trustee commits an offence when with intent to defraud he fails to observe and perform the provisions of the Act governing his duties.

From what I have said it will be seen that the Bankruptcy Act will be of benefit in that the bases for the winding-up of estates throughout Canada are largely standardized, while unfair preferences which have obtained in several of the provinces will also be done away with. The Act will also provide a means for forcing an unwilling debtor to turn over his property to his creditors, and debtors are compelled to account for their property and keep proper records of their transactions if they are not to remain undischarged bankrupts. An honest, but unfortunate, debtor can also obtain a composition or extension without being penalized by creditors seeking undue advantages, while dishonest or fraudulent debtors can be prevented from obtaining discharges or the right to do business by bargaining with their creditors.

I believe that economical administration of estates can be effected under the Act so long as the procedures remain simple and follow closely those adopted in connection with the Assignment Acts. In my opinion it is almost a foregone conclusion, however, that if formalities be allowed to creep into their administration or the control of estate be transferred to any material extents from the hands of creditors to the Courts, the same expenses and delays will be met with as are presently encountered in connection with the Dominion Winding-Up Act. The Act appears to me, however, to form a good starting point for Federal Legislation in respect of bankruptcy but nobody can pretend that it is perfect, and several of the discrepancies which I have touched upon are those which have come to light since it has been put in force. If, however, the Federal Government will look upon such a course sympathetically it will be possible to rectify these—to simplify procedures laid down by the Act and from time to time to do away with some of the requirements now in force which while of questionable advantage encumber administration without any apparent or compensating benefits being obtained from them. (Applause.)

THE CHAIRMAN.—The paper is now before you for discussion. If any members wish to ask any questions, Mr. Clarkson is willing to discuss them with you.



MR. CLARKSON.—There is a matter in connection with the operation of the Act which I find I have neglected to touch upon and that is the question of the appointment of trustees under the Act. When the committee representing the Ontario Institute of Chartered Accountants was in Ottawa discussing the terms of the Act we were informed that the government understood it to be the wish of Chartered Accountants that nobody but a Chartered Accountant should be eligible for appointment as an Authorized Trustee. We had not formed the opinion that Chartered Accountants had any such idea, while also we believed that it would be unreasonable if such request were put forward. The opinion we held was that any person should be entitled to be appointed an Authorized Trustee so long as he had the proper qualifications and could provide the necessary security. In our view, also, trust companies were entitled to be appointed. Holding these views, we did, however, suggest that if an applicant was a Chartered Accountant that fact should be accepted as proof of his qualifications. The representatives of the government said they would consider the suggestion but to this point I have not heard that it has been dealt with. The view I have gained, however, is that it is the intention of the government to appoint anybody who has proper qualifications and I feel that Chartered Accountants will meet with little difficulty in satisfying the government as to their qualifications.

THE CHAIRMAN.—There is still a further point, and that is: there was a suggestion a year ago that the entire membership of the Dominion Association should be registered as trustees under the Act.

MR. CLARKSON.—I do not think that such would be expedient or of advantage, or that it will be desired by Chartered Accountants generally when they realize the fact that every trustee appointed has to furnish a bond and that this bond will cost not less than \$50 or \$75 per annum. As but a small proportion of Chartered Accountants have any business of importance in the liquidation of estates the rank and file will not be warranted in making such payments, nor do I think they will desire to.

THE CHAIRMAN.—Is the bond which they are required to give a special bond or one which requires the payment of an annual premium?

MR. CLARKSON.—If a trustee desires to furnish security in the form of cash or government or municipal bonds, he will not require to make payment of an annual premium, but such security will remain as a continuing security. On the other hand if a trustee shall



furnish the bond of a guarantee company an annual premium in connection with it will require to be paid by him.

A MEMBER.—Does not the Act require that a bond be furnished by the trustee in connection with the liquidation of each estate?

MR. CLARKSON.—If in connection with the liquidation of any estate inspectors require that additional security must be provided then the trustee has to furnish the same but not otherwise.

MR. SHARP.—Another question with regard to the use of a deceptive name: There is a provision in the Act which prevents a bankrupt's discharge if he operates in business under a deceptive name. What is your understanding of the effect of the provision?

MR. CLARKSON.—I cannot tell you what the effect of the provision is until it is threshed out, but I fancy that as the section is based upon the provisions of the English Act the decisions thereunder will predominate.

MR. MORRISON.—Is the effect clearly understood?

MR. CLARKSON.—It is not clearly understood as yet as it has not to this point been passed upon by any Court here, and as yet no Bankruptcy Judge has been appointed in Ontario.

MR. SHARP.—May I ask another question with regard to the remuneration to be paid to a trustee—the Act seems to me to be indefinite? It states that the remuneration to be paid to a trustee shall be determined by the inspectors or creditors and if that is not done that it shall not exceed 5 per cent. of the trustee's receipts. Do you understand the provision to mean that the trustee may not receive remuneration in excess of 5 per cent. of his receipts?

MR. CLARKSON.—The Act states that the remuneration of a trustee for all services shall not under any circumstances exceed 5 per cent. of his cash receipts.

MR. SHARP.—It says that in the event of the remuneration not being named, it shall not exceed 5 per cent.

MR. CLARKSON.—It states that the remuneration for all services must not in any event exceed 5 per cent. Under these circumstances if the creditors were to pass a resolution for the payment of remuneration of 10 per cent. to a trustee he would be prevented by subsection 3 of section 40 from retaining over 5 per cent.

MR. SHARP.—Can you tell me whether in the consideration of the Act such an amount was considered an equitable remuneration?

MR. CLARKSON.—In our discussions relative to the provision we had no objection to raise to the rate except in the case of small estates and those where assets had been dissipated or it was necessary to make examinations and enter into litigation for the recovery of assets. In such cases we pointed out that the remuneration allowed

would in many cases be entirely inadequate in that, frequently, it would provide the trustee with an amount insufficient to meet even his out-of-pocket expenses. We, therefore, asked the government to have the section amended so that a higher rate of remuneration could be obtained by a trustee with the approval of the creditors or inspectors of an estate and the Court. The section was redrafted to provide this and my information is that the House of Commons passed the amendment, but that when it came before the Senate it was thrown out. Why the Senate objected to the amendment I cannot say but it must have lacked appreciation of the practical conditions confronting trustees in the contingencies mentioned. As matters are now if an estate shall come into the hands of a trustee, the assets of which produce say \$1,000 and the creditors desire to undertake litigation to recover property which has been improperly disposed of or illegally transferred and in the connection an investigation must be made which will cost say \$250, it simply means that the trustee cannot undertake the work; this for the reason that the cost to him of making the investigation might equal or exceed \$250, whereas the maximum amount which he could obtain from the estate would be \$50, leaving him with a straight out-of-pocket loss of \$200. To overcome this condition the estate would require to engage outside assistance and have the investigation made by some other firm of Chartered Accountants, when the expenses would likely be greater than if the investigation should be made by the trustee. So far as counsel for the estate is concerned he also could not afford to take the litigation for the reason that if it should fail his remuneration would be limited to \$100 and no counsel would accept litigation under such conditions. To carry on the litigation, therefore, the estate would have to refuse to undertake it and individual creditors thereafter prosecute it for their own personal benefit, when they would be able to pay counsel his reasonable charges. In effect, therefore, the sections will not reduce the cost of liquidating such estates but on the other hand they will increase the cost of liquidation. Not only that, but they will prevent creditors obtaining ratable distribution of the assets in that any litigation so undertaken will be carried on by the creditors who support it for their own personal benefit.

MR. SHARP.—I had some correspondence with Mr. Mulvey over this very point and I pointed out several estates where it was likely that the remuneration allowed would not recoup the trustee in his costs. Mr. Mulvey informed me that my point was well taken and that the matter would be taken up.

MR. CLARKSON.—The point was fully threshed out with Messrs. Mulvey and Biggar and I think they obtained a clear understanding



of the situation but as I said before while the House of Commons passed an amendment to meet it the Senate did not approve of such amendment.

THE CHAIRMAN.—What is your conception, Mr. Clarkson, as to what would happen if the assets of an estate amounted to only \$1,000 and there was a lot of work to be done in connection with the estate? Would Authorized Trustees refuse to accept such an estate?

MR. CLARKSON.—Not necessarily—a trustee might accept the assignment and thereafter turn over all work, except that relating to bare liquidation, to somebody else who would be entitled to be paid for any services he might render.

MR. WINTER.—Do I understand that loan and trust companies and certain other corporations come within the provisions of the Companies Winding-up Act but that such Act has now been superseded by the Bankruptcy Act? In British Columbia quite recently in the Supreme Court one of our leading counsel argued that if a certain company had to be wound up or become an authorized assignor under the Bankruptcy Act it would tend in some ways to destroy the chances of getting at certain moneys. I think he argued that it would not be quite as profitable to those interested in the company to wind it up under the Bankruptcy Act as it would if the estate were wound up under the Winding-Up Act. The Judge in consequence allowed the company to be wound up under the Dominion Winding-Up Act.

MR. CLARKSON.—The Act provides that all trading corporations may be wound up under the Bankruptcy Act but it specifically states that incorporated banks, savings banks, insurance companies, loan companies, trust companies or railway companies shall not be wound up under the Bankruptcy Act but shall continue to be subject to be liquidated under the provisions of the Dominion Winding-Up Act. Under subsection 0 of section 2 of the Act it is stipulated that Trading Corporations in process of liquidation under the Dominion Winding-Up Act shall be liquidated under such Act and further, that in the future a company may be wound up under the Dominion Winding-Up Act instead of under the Bankruptcy Act if in the opinion of the Court it is expedient that such shall be done. This latter provision was inserted in the Act for the purpose of obtaining relief in the event that disputes should arise as to any provision of the Bankruptcy Act which might tie up the liquidation of a corporation indeterminately.

MR. WINTER.—In connection with the provision giving a preference for three months' salary, you stated that a wage earner



## THE BANKRUPTCY ACT

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could put in a claim for only three months' remuneration. Do I understand that the preference is restricted to three months' wages or can such a wage earner put in a claim for additional time?

MR. CLARKSON.—The preference of a wage earner is restricted to three months' wages so long as the claims of any other creditors remain unpaid. If these claims be paid, however, the wage earner can recover any further amount due to him.

MR. WINTER.—What is the position when there is a loss to a landlord in respect of his rental?

MR. CLARKSON.—The preferential claim of a landlord is restricted to the rental equivalent to that for a period of three months' and is then preferred only if there are assets on the leased premises equal in value thereto. The landlord is not prevented, however, from claiming as an ordinary creditor for any amount due to him in excess of the amount of the rental for three months.

MR. WINTER.—Three months' rental will be the maximum of his preferred claim.

A MEMBER.—Take the case of a perfectly solvent company which it is desired to liquidate—what course of procedure must be followed?

MR. CLARKSON.—If the company is solvent it does not come within the provisions of the Act and may be wound up under the provisions of the Companies Act in the province from which it has obtained its charter. I do not suppose there is anything, however, to prevent it being wound up through an assignment under the Bankruptcy Act if so desired by its shareholders.

MR. PONTIFEX.—The President has allowed me the privilege of moving a vote of thanks to Mr. Clarkson for his kindness in reading his paper on the Bankruptcy Act; I would, therefore, ask for a hearty vote of thanks, and his permission that the paper be published in the Accountants' Magazine so that we may read it over at our leisure.

MR. WADE.—I have particular pleasure in seconding the motion, having been associated with Mr. Clarkson in the last year and a half while the Act was under consideration. I know, also, of the large amount of time he spent upon it and that he is in a position to tell us a great deal about it. (Motion carried. Hearty applause.)

MR. CLARKSON.—I thank you, Mr. President and gentlemen, for your very kind remarks. I am afraid the paper which I have read is rather scant but am hopeful that it may be of some slight assistance to you in gaining an understanding of the procedures laid down by and the effect of the Act.

THE CHAIRMAN.—I think that the manner in which the convention has expressed its appreciation is an indication that the members are well satisfied with the information given to them.

INFORMATION DESIRED BY THE BANKER\*

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BY JULIEN H. HILL

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I N the invitation of your committee to talk to you this afternoon you have given me an opportunity to say in all sincerity what seems strange from the lips of a banker: "I am delighted to be surrounded by so many bank examiners." Bank auditing is properly an important part of your professional work, even though it be not so remunerative as other branches. It is also gratifying to me to be assured of the fact that, however far short I may fall of what is expected of me to-day, I, at least, as a banker, have the privilege of exacting interest for once from my auditors.

The banks of this country are becoming more and more dependent every day on your profession, and we often wonder how our business was conducted without you. It is with special pride that we regard the Virginia Society of Public Accountants, and I can assure you—certainly for my own part, and I feel that I can speak for the majority of my fellow-bankers—that the spirit of co-operation which you have shown is most heartily reciprocated.

To this end, I shall try to give you, in a very general way, the manner in which the banker, who is not expected to be a professional accountant, reviews the reports prepared by you.

Possibly, the phases which I shall attempt to cover may suggest to you some method of standardizing as nearly as practicable the reports of your audits. Of course, I realize that many obstacles are encountered by you in making uniform reports; but the fact that you can say to your client that certain vital information must be incorporated if the statement is to be submitted to his bank as a basis for credit may help you to surmount such difficulties.

When the audited statement of a firm or corporation is presented to the officer handling that particular account, his first and casual perusal of it will include, primarily, a careful reading of the preamble and comments of the auditors, thus ascertaining the scope of their examination. Next, the statement of assets and liabilities will be scrutinized with special regard to the ratio of quick assets to current liabilities. Here let me say that it is always very helpful to the banker if these items, with their proper sub-totals, are given first and the fixed items last.

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\*A paper read at a meeting of the Virginia Society of Public Accountants, Richmond, Virginia, September 4, 1920.



Next for observation is the operating or profit and loss statement for the year. Unless reports have been made at stated intervals to the bank, it is vital that a comparison with previous years, or at least the previous year, be given in your report. This is equally true of the asset and liability exhibit.

These two statements are in a general way the guide to the banker in analyzing the credit standing of his customer or prospective customer; and in former days this was frequently considered ample information. But with changed conditions, with the vast amount of saving to be effected by employing proper methods of accounting, with the research now being made to determine ratios in every line of business and their proper application, and, most vital of all, with the complex conditions of the business world at the moment, the banker is "from Missouri" and wants an exhaustive audit. He doesn't always get it, but I am inclined to think that in a few years your clients will themselves realize that a partial examination of their affairs is poor economy, and will themselves have nothing less than a complete report.

With existing conditions, two asset factors are of utmost importance: the inventory and the accounts receivable. Close attention should be paid by you to the methods of determining the inventory figures given you (and I hope the time will come when the cost of an appraisal by experts, associated with you, will not be prohibitive). When the inventory is not made directly under your supervision, you can greatly assist us in your comments in telling us, first, how it has been reported to you that the inventory has been taken, and whether, in your opinion, the methods used tend to accuracy. When a partial checking (as to larger items by means of invoices, for instance) is made by you, it should be so stated in your essay. Frankly, I think you owe it to yourselves, to your client and to his bank to be explicit on this item, especially if you have any reason to suspect in any degree over-valuation or under-valuation of merchandise of whatever nature. And in these days of transportation difficulties, with goods to be paid for long before arrival, please tell us fully about goods in transit. Careful analysis of all accounts and bills receivable, segregated as to current and past due, should be furnished for the benefit of the bank. It aids the banks very much to have the ratios worked out on these items, but, of course, these ratios are not essential.

At present, it is also very important to the banker to see itemized schedules of accounts and bills payable. These are the principal points to be emphasized as to the elaboration of the information on items hitherto scrutinized less carefully.



But bear this in mind—the banker prefers always the best report that can be obtained, and, to my mind, an examination should never include less than:—

1. Introductory comments and criticism, pro and con, of each exhibit.
2. Statements of assets and liabilities, with the arrangement of current assets and current liabilities first, under their respective debit and credit headings.
3. Operating or profit and loss account, preferably with comparison with figures for same date of previous year, and in view of present practices (entirely legitimate, as I regard them) an itemized list of officers' salaries.
4. Accounts receivable, in detail showing which are past due and how long past due, when not widely distributed or very voluminous.
5. Bills receivable and trade acceptances, with contingent liability on items rediscounted.
6. Accounts payable, showing separately current accounts and any accounts past due, when not too voluminous.
7. Bills payable, scheduled in detail.
8. Capital stock, detailed list of stockholders with respective numbers of shares held, when the corporation is a "close corporation" or when the stock is not widely held.
9. Insurance bonds, etc.

It would be of great value to the banker were the accountants to include in their comments, in addition to remarks as to depreciation, reserves, etc., any general information as to the general conduct of the business having any bearing whatever on the financial soundness of the firm or corporation under review, not ordinarily reflected in the figures. This is a broad request, but it might be borne in mind, so that when consistent such facts could be incorporated.

Under this general heading, I might mention the value to us of information as to the accuracy of the cost system, the commission, bonus or profit-sharing plan, which, though outside the range of an audit, are nevertheless phases of a business that come to the attention of the accountant, and are frequently of considerable importance to the banker. Again I want to stress the need of close scrutiny of and comment on the methods of providing for depreciation and other reserves.

In addition to the schedules enumerated, it is customary with some accountants to give other ratios. I might add that many of the banks, in their analyses of statements, frequently determine for

their own purposes ratios of (a) worth or capital to fixed assets (to determine if too much capital is invested in plant); (b) receivables to merchandise (as merchandise converted into receivables takes a profit into the statement); (c) sales to receivables, to gauge the promptness of collections; (d) sales to merchandise, to ascertain the turnover; (e) sales to worth, to show the turnover of capital; (f) profits to sales, for obvious reasons.

I mention these ratios because of the assistance they may render your client if made a part of your statement from year to year. While, of course, in using them for comparative purposes, the ratios are determined by us from statements of other customers in similar lines of business, which we have on our books, you can readily see that with the much broader field represented by the many examinations that you make in various lines you are able more nearly to get the barometric figures. Such figures for qualitative purposes in your reports should invariably work to great advantage to your clients.

The audited statement is daily growing in importance in determining the extension of credits, but there are thousands of concerns which have yet to appreciate the advantages accruing to themselves as well as to their banks, and I do not hesitate to tell you that we are daily advocating the value of periodical audits by certified accountants, and I rejoice to see that even among the smaller banks the audited statement is now recognized as of first importance.

Probably, from the standpoint of the plain, everyday banker, I have touched upon some angles of the statement analysis that are more technical than the subject assigned me should cover. Not all banks are yet so fortunate as to have on their staff one of your profession, as is the case with our bank, and consequently they do not attempt to dig quite so deeply as we do. Yet there are many points (exceptional, I grant you, and specific rather than general) which it would be interesting to discuss if time permitted.

There is only one criticism which I want to make as a part of this rambling talk, and it is so succinctly set forth in the July issue of "The Journal of Accountancy" that I shall read it in full:—

"A recent issue of 'The Journal of Accountancy' contained editorial comment on the misuse of accountants' certificates. Attention was drawn to the danger which lies in the publication of a portion of a certificate or financial statement without the context.

"The most notorious incident on record of the perversion of the written word by omission is Bismarck's mutilation of the Ems dispatch, which induced the Franco-Prussian war. All decent men



everywhere damn the iniquity of that offense; yet men overlook the comparatively unimportant criminality which attaches to the omission of essential statements in a financial report. Such an offense seems insignificant compared with an international incident, but the principle, or lack of principle, is the same. No essential phrase or word or punctuation mark should be omitted if by such omission the intent of the writer is distorted.

"Accountants are awaking to the danger which lies in condensation of their reports, and some of them are insisting upon a clear, full reproduction of their original certificates and statements.

"A method adopted by one prominent firm is worthy of consideration. Every report emanating from that firm bears the following printed note:—

"The publication of any condensation or modification of statements herein contained, or the use of our certificate detached from its context, or the use of our name in connection with the sale of securities or other publicity, will not be sanctioned unless first submitted for our approval."

"This limitation upon the use of an accountant's report, if generally adopted, would go far to prevent deception of the public, such as is too easily effected, if financial statements be published in any form not fully reflecting the facts."

Perhaps all of you have read this. I trust and believe that none of you has pursued the policy thus condemned. Even though you furnish a statement of assets and liabilities separate from the detailed report, you should indicate that it is a part of a detailed report, so that the banker will be put on notice that a complete audit has been made.

To make up a balance sheet for general use without an examination—well, I'll not insult your intelligence by remarking on this.

In conclusion, let me say that, as vital as is your work to the banker, it can never be the final word for him in determining credit. Remember those four basic factors: character, capacity, application and capital. Sometimes it is quite difficult for the accountant to understand the banker's viewpoint. If this happens with you, talk it over with him. He wants your criticisms, and maybe he can occasionally change your way of thinking, or vice versa. He is always open to conviction. And a closer relationship between the men of your profession and of ours cannot but tend to safer and saner business methods and constructive work along many lines.—From The Journal of Accountancy.



MUNICIPAL ACCOUNTING THEORY AND ITS PRACTICAL  
APPLICATION TO MUNICIPAL FINANCE\*

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BY ROBERT J. RITCHIE PATERSON

*Chartered Accountant (Scotland and Alberta)*

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Mr. President and Gentlemen of the Union of Alberta Municipalities:

I thank you for the honor of appearing before you in convention, and I appreciate the opportunity extended to me to address the full session and not the Secretary-Treasurer's section only, as arranged by the programme. You will pardon me if I offer the remark that, in my judgment, education upon the general subject of Accounting is just as necessary, and perhaps more so, within the council chamber as within the Secretary-Treasurer's office.

I congratulate you upon finding place upon your programme, which has so many urgent calls upon it, for this subject, which has such far-reaching effects, theoretical and practical, upon municipal government.

In the public practice of my profession I hold several appointments as Municipal Auditor, and among them that of the city of Lethbridge, and the remarks following are the product of my practical experience and observations in the fulfilment of such appointments, and are not necessarily indicative of any one more than another.

In addressing myself to the general subject of Municipal Accounting, I have concluded that something might perhaps be gained by an abstract treatment of it rather than by being specific in the sense of a review of its accounts.

The subject-matter of my remarks naturally divides itself into two parts, viz.:—

1. Municipal Accounting Theory, and
2. Its practical application to Municipal Finance.

The first does not necessarily embrace the second and can stand alone. The second, however, "Municipal Finance," without the first is as a rudderless ship, or, without it in any degree other than that of its highest available efficiency, is as a ship having an impaired directing force; or, yet again, without an equally high human ability to fully grasp and intelligently comprehend the utility and purpose of such directing force, then the rudderless condition becomes more or less existent.

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\*An address delivered to the Convention of the Union of Alberta Municipalities.

In entering this field of accounting we come in contact with that of governmental bodies, and the outstanding distinctions recognizable in contrast with that of the more generally known commercial field are, first, the absence of capital, and secondly, the absence of the principle of profit-making.

The fact of the absence of capital having been mentioned, we will proceed to investigate this phase, first in the sense of Fixed Capital.

It is immediately admitted that in every municipality there are expenditures which should obviously be capitalized for a more or less extended period in accordance with their specific nature. From what fund sources, then, are these expenditures made possible? The answer is to be found in one of the only two methods open to all municipalities by which their financial requirements can be supplied, viz., Loans. These loans are of two classes, "Long-term" and "Short-term." The former usually taking the form of debenture issues, may be looked upon as the substitute for Fixed Capital, while the latter may be looked upon as the substitute, or one of the substitutes, for Working Capital. The second and remaining method is supplied by the levying of taxes.

Inasmuch as a municipality's prime function is to render certain well-defined and recognized services to its citizens annually at cost on the basis of a charge therefor, there is thereby involved the preparation of this annual cost in a form variously known as "The Estimates," or "The Budget." Arising from the fact of the absence of working capital on the part of the municipality wherewith to carry out its functions until such time as the actual annual cost has been specifically determined, resort is had to estimating what that annual cost may be, and this is embodied in a document known as "The Estimates." Once this annual estimated cost has been determined, it assumes a very practical form, in that it is ratably distributed against the citizens, and in the form of taxes continues to function for the purpose of providing the financial means of satisfying the indebtedness which the incurring of the annual *actual* cost entails. Mark the vital distinction between its function as "Estimates" and its function as "Taxes."

The municipality's undertaking to render certain services to its citizens involves at the outset, and from time to time thereafter, the incurring of expenditures which, if viewed from the standpoint alone of their full inclusion as a part of the annual cost of the year in which they are incurred, immediately designates them as of an extraordinary classification. Where these extraordinary expenditures are of a more



or less enduring nature and continuing utility, and the cost is of a magnitude that fully justifies, in the light of the immediately preceding reservations, the easing of the burden of their acquisition over a period of years, thereby obligating taxpayers of ensuing periods, largely on the ground of their participation of equal benefit, then in such cases the issue of debentures appears to be not only justifiable, but imperative.

The annual cost for municipal services would include the fixed charges under such extraordinary expenditures, consisting of interest thereon and provision for depreciation, and not the amount of the extraordinary expenditures themselves.

We have now established the following facts, viz.:—

1. That a municipality has two distinct types of expenditure:—
  - (a) Those incurred in one fiscal period for which final provision falls to be made in several succeeding fiscal periods.
  - (b) Those incurred and for which provision is made in the same fiscal period.

NOTE.—Provision being used in the sense of taxes.

2. That a municipality's financial obligations are capable of immediate satisfaction out of funds provided in one of two ways:—
  - (a) Proceeds of loans (debenture issues).
  - (b) Taxes, and ultimately solely by the latter.

It seems right and proper that in all respects and at all times this clear-cut distinction in municipal expenditures and the sources providing for the satisfaction of these should, in their entirety, be preserved in its accounting and in the presentation of its accounting data.

If we so follow the distinction which these two facts bring out we find a certain relationship existing between the facts themselves, viz.: In the (a) and (b) of each, or, to be specific, the extraordinary expenditures are usually directly related to the debenture issues and the ordinary expenditures are, more or less directly, related to the taxes. Let us, therefore, identify these two classifications by the distinctive funds with which they have to do, viz.: "Debenture" and "Taxation."

In all municipalities we have to take account of the fact that, while a certain amount of "Cash" transactions take place, there is, for various reasons, quite a preponderance of "Credit" transactions. The levying of taxes alone establishes this condition. As a consequence, all accounting provisions must be drawn having regard to this very important factor.

Under "Debenture" funds there would fall for record the following



information in Balance Sheet (Asset and Liability) Accounts only:—

1. (a) Creation of the Debenture Debt.  
(b) Redemption of the Debenture Debt.
2. (a) Proceeds from the Debenture Debt.  
(b) Disposition of such proceeds.

It will readily be seen that an absolute accounting should at all times be possible by the offsetting of either (a) or (b) of 1, or a combination of these against (a) or (b) of 2, or a combination of these. This is a very desirable and essential feature of municipal accounting, in my opinion, especially in a public presentation of it. It should always portray strikingly and succinctly the following:—

The vested interests of the municipality, capable of historical narration.

The bonded debt incurred against this.

Whether or not the proceeds of such bonded debt has been fully expended, and if not, how held.

The redeemed equity of the municipality in such vested interests, and where possible an approximated present value of that equity.

Under "Taxation" funds there would fall for record effecting Revenue and Expenditure Accounts (1), as well as Balance Sheet (Asset and Liability) Accounts (2) the following:—

- (1) (a) The various kinds of taxes levied.  
(b) The various kinds of specific expenditures for which these various taxes were levied. (By purposes of levy.)
- (2) (a) {
  - (1) The various assets which the levy of taxes and their collection or non-collection create.
  - (2) Those assets created out of more or less specific short-term loans.
  - (3) Those assets created *unconsciously*, at least in a financing sense, without any specific provision by loan or otherwise being made for them.

This latter, strangely so, is unfortunately fairly common.

- (2) (b) The various liabilities created by virtue of the existence of (1) (b) and (2) (a 2 and 3).

The foregoing remarks have been expressed from the viewpoint of the municipality proper. The question of the accounting treatment of public utilities within the jurisdiction of the municipality need only vary in degree and not in principle in the generalities given.

This concludes the first part of my remarks.

In regard to municipal finance and the application of municipal accounting theory thereto, we enter an entirely different atmosphere from that which we have just left. Finance, as applied to municipi-

palities, may be generally and broadly defined as "Ways and Means." "Ways and Means" may be again transposed to mean "Dollars and Cents," or "Cash."

We have acknowledged in the first part that many of the transactions must necessarily be of a "Credit" nature. This is, under some circumstances, not altogether unusual, diametrically opposed to the "Cash" condition. When these circumstances are operative, and even when not, and again because of the lack of working capital within itself, the dictum of the municipality, conservatively and efficiently administered, must necessarily be:—

"Have the cash from your taxpayers, or equivalent assurance that you will have it in time to meet your financial obligations at maturity, before you incur any form of indebtedness at all."

So far as "Debenture" fund operations are concerned, it is particularly imperative that funds be actually in hand before this class of expenditure is launched upon at all, for the reason that its general admission to this classification precludes any other form of financing other than by specific loan.

As regards "Taxation" funds, financing here resolves itself into the framing of "The Estimates" upon a "Cash" basis throughout to the extent of levying a rate which will yield directly, within the fiscal period, sufficient cash to fulfill the obligations incurred on behalf of that fiscal period.

In bringing these remarks to a close I desire to record my personal pleasure at being present as a guest at your sessions, and to give expression to the realization that the deliberations of this Convention are set towards grappling with the unquestioned serious financial situation in which every municipality, not only in this Province, but in all the Western Provinces, finds itself.

So far as the Alberta situation is concerned, it is worth bearing in mind that the introduction of annual tax sales has not of itself developed this serious aspect, but has merely served to pointedly reveal one of a few years' standing.

A solution must and will be found, and at least, so far as the larger towns and the cities are concerned, it can only satisfactorily be reached, in my judgment, through a revision of the prevailing fixed charges upon the existing bonded debt. I would, therefore, commend to your serious deliberations the evolving of some acceptable plan having this in view as the objective to be reached.

In conclusion, permit me to remind you of the pre-requisites to sound, practical municipal finance which I have endeavored to trace for you in these remarks, coupled with the assurance that they are

as relative to the smallest as to the largest municipality in the land:—

1. The fundamental and structural basis: an efficient and comprehensive accounting.
2. The human ability to interpret and literally read the message which such an accounting condition has to convey.
3. The imperative necessity of living within your annual estimates as cash drawn.
4. The incurring of no extraordinary expenditure which has not been previously provided for by specific loan and not without having first given a due regard to the ability, present and conservatively prospective, to redeem such loan, through taxes, at maturity.

Mr. President and gentlemen, I thank you for your kind indulgence and attention.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO

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### ANNOUNCEMENT

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The Council, after due consideration, has decided to establish its own facilities for the instruction of the students. These facilities will be effective on or before September 1st, 1921, and will include correspondence and lecture courses. After the above date these instructional courses will be obligatory upon all Chartered Accountant Students (who will thereafter be known as Registered Students), and no other instructional course will be recognized, or entitle students to sit for the Institute examinations.

Notice is given thus early so that students may be afforded ample time within which to terminate instructional courses now being taken by them, and so that they may have ample warning not to make further commitments of a like character.

Pending further official announcements the Registrar will be pleased to supply additional information upon application at the offices of the Institute.



## AUDITOR'S RESPONSIBILITY IN REGARD TO VERIFICATION OF INVENTORIES\*

BY EDWARD H. MOERAN

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**O**WING to the dearth of court decisions in this country defining or limiting an auditor's responsibilities, the subject of this paper will be dealt with from the standpoint of moral responsibility—the result of negligence in most cases being loss of prestige rather than a more severe penalty.

At the outset, let it be stated that it is not the function of an auditor to take an inventory, but to verify the result in terms of money after the physical work has been completed.

An inventory may embrace almost any kind of physical asset, fixed or current, in almost any kind of business, occupation or profession. It may be relatively large or small as compared with the other assets under audit. There may or may not be book inventories to be used as guides; and in the case of a manufacturing concern, the auditor may be confronted by any bookkeeping condition, from a total lack of cost accounts to a most elaborate and accurate system. The purpose for which the auditor is employed or specific instructions will have a distinct bearing on the scope of the verification and of his responsibilities in connection therewith.

An auditor may be conducting an investigation on the very subject of inventories, or one in which the inventory plays no part whatsoever, or his employment may cover varying degrees of responsibility between the two. His clients may be the proprietors, bondholders or the executors of a business; he may be employed by an intending purchaser or by a bank considering the advancement of funds; he may qualify as expert for plaintiff or defendant and be conducting an investigation by court order under subpœna "duces tecum." In short, he may represent anyone who has legal access to the books and records for any legal purpose whatsoever—but in wording his certificate an auditor should bear in mind that it may be used for purposes other than those stated or inferred.

In making the following remarks it cannot be too strongly urged that the extent of an auditor's responsibilities varies in proportion to the scope of his instructions, and his judgment in each case should primarily be based thereon.

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\*A thesis submitted at the November, 1917, examinations of the American Institute of Accountants.

The verification of an inventory is, in a large percentage of cases, the most troublesome item on a balance sheet that an auditor has to deal with, particularly if it be one of stock-in-trade, affecting as it does the gross profits. A clear knowledge of the nature and customs of the business and of the methods employed is frequently essential in order satisfactorily and intelligently to verify the figures submitted without a disproportionate or prohibitive amount of work.

Years ago it was the custom among accountants to qualify their certificates by prefixing the phrase, "Subject to the accuracy of the inventory," but this qualification has fallen into disuse, chiefly because of its casting suspicion upon the accuracy of the accounts as a whole. Custom and practice have since decreed certain duties to be performed by the auditor, beyond the scope of which his responsibilities cease.

The more important points to be considered in the verification of an inventory coming within the scope of an auditor's responsibilities follow.

### Summary

The auditor's copy should be kept in his possession during the entire progress of the work, and never be lent to officials or to the office staff under any pretext whatever after the auditing has commenced.

If the official copy of the inventory is kept in the possession of the auditor throughout the verification, the same purpose is served; but this is frequently impossible or undesirable for various reasons, and it is always possible and desirable to make a copy of the summary for the working papers, however condensed it may be. The point is that inventories have been altered after an auditor has passed upon them. Care should be exercised to preclude the possibility of such an occurrence without detection before certification of the accounts.

### Mathematical Accuracy

It is an auditor's duty to verify footings and extensions in sufficient detail to become satisfied as to their substantial accuracy, and he will be held responsible for undetected errors of relative importance. No hard-and-fast rule can be laid down as to the scope of the work, as the conditions present in each case will determine it.

The method of internal check may be taken into consideration—e.g., whether mechanical or otherwise—and it is reasonable to place more reliance on the work of an efficient office force than on results obtained by a force of low clerical standard.

In the case of manufacturing concerns, the extent and accuracy of the cost system and its related accounting controls have an im-

portant bearing on the amount of detailed verification necessary with respect to work-in-progress and finished goods. An auditor may be justifiably influenced, in outlining the work, by the facts that the gross profits differ widely from or substantially agree with normal or anticipated figures.

If an auditor has reason to believe, from collateral evidence, that an important mathematical error exists, it is his duty to find it, and his responsibility is not lessened because of the amount of work involved.

### Basis of Values

It is an auditor's duty to satisfy himself that the inventory has been taken at cost or market, whichever is lower, except as herein-after stated, and that unsalable or depreciated items have not been priced in excess of nominal or depreciated values. The decrease of turnover may put him on his guard that unsalable items are being carried at their original cost and a comparison with a previous inventory will sometimes disclose the items in question.

The prices of commodities should be verified with original invoices as to cost, and the market value may be determined by an examination of invoices for goods of like nature shipped close to the balance sheet date or in some cases by a scrutiny of trade papers.

As to footings and extensions, the verification of prices may need to be substantially complete or merely a test, depending upon the conditions present in each case.

In the case of manufacturing concerns, the auditor should familiarize himself with the method of costing. He should ascertain the soundness of the burden rate by the amount of under or over-absorbed expenses and the treatment of costs if and when the plant was on part time or shut down. He should be familiar with the scope of the items comprising the burden—e.g., whether selling expense has been included or whether interest on the investment or other debatable items had been added to cost—for upon the facts present will depend the wording of his certificate. The auditor should be careful to see that finished product has not been taken at selling prices. In short, he should see that no profit is included in the inventory except in the case of certain contract jobs, subject to architects' or engineers' certificates, and except in a very few lines of business, such as shipbuilding, where a proportion of profit is permissible, owing to the length of time spent on the manufacture of one unit of production and in order to stabilize the profits.



The question of profits included in an inventory is now of special importance, owing to its effect upon the federal income and excess profits taxes. It is of interest to note that the Commissioner of Internal Revenue has ruled that inventories must be taken at cost, not market, in the following explanatory note on Corporation Income Tax Form 1031, revised October, 1916: "In case the annual gain is determined by inventories, merchandise must be inventoried at cost price, as any loss in salable value will ultimately be reflected in the sales during the year when the goods are disposed of."

If an auditor, therefore, is making up an income tax return for a corporation, his responsibilities as to inventory values of merchandise are determined by the Commissioner's rulings, however widely he may differ from him as to the principles involved.

In the case of trading concerns, undelivered goods representing executed sales may legally be valued at selling prices, title having passed and the seller having become the bailee, but owing to the difficulty of differentiating between executed and executory sales and to the possibility of an accepted cancellation of the order prior to delivery, the auditor should not pass unnoticed the point in question, particularly if the amount involved is relatively large.

The auditor should satisfy himself that trade discounts have been deducted in pricing commodities, but not cash discounts, the test of distinction, sometimes difficult to make, being whether the discount is deductible in any event or contingent upon payment within a specified time. As to this point an auditor is usually justified in assuming facts "upon information and belief" after a test has been made by him.

It is most desirable that an inventory of stock-in-trade be taken on the same basis at the end as at the beginning of a fiscal period, and where prices are constantly or widely fluctuating, it is sometimes desirable, if market is below cost, to create a reserve for the difference, rather than to make the gross profits reflect a temporary loss, i.e., the same procedure as is permissible with respect to securities.

The auditor has no right to insist that an inventory be valued in one way or another. He may offer suggestions, and if they be not complied with, his remedy lies in adjusting the total figures for inclusion in the accounts to be prepared by him, in order to give an unqualified certificate (possible and desirable in certain cases), or in letting the original figures stand and in protecting himself by qualification if necessary.

### Goods in Transit

It is an auditor's duty to ascertain that if goods in transit are

included in the inventory the corresponding liability has been set up in the accounts.

It is important to note that the invoice date is at best but prima facie evidence and of limited accounting value, as many invoices are post-dated under special agreements affecting discounts; some are dated prior or subsequent to shipment through carelessness; and still others are not dated at all. It must also be borne in mind that the date of an invoice, except as above noted, represents the date when the seller parts with the goods, and that due allowance must be made for the period of transit. Bills for carriers' charges are frequently of assistance in passing upon debatable items, and obviously of much greater value are chronological records of goods received.

If an auditor finds that the date of receipt of goods is shown upon the invoice, he may usually accept the record without further research, but he must exercise care to find out whether goods recorded as being received while the inventory was in progress were or were not included therein, and that the accounts had been adjusted accordingly. In some cases he will find notations on invoices indicating the inclusion or exclusion of the goods, and he need not go behind this evidence except in special cases.

If incoming goods have reached the f.o.b. point, they may properly be included in the inventory. If not, they should be excluded.

### Period of Inventory Taking

The period of inventory taking is a most important point, chiefly in large inventories, and one that is frequently overlooked.

Gross mistakes have been made through an error in time of or confusion during inventory taking, the circumstances of which were known to the officers, but the importance of which, from an accounting standpoint, were not appreciated until brought to their attention by the auditor.

In many cases, therefore, it is the duty of the auditor to make inquiry from a responsible officer as to when the inventory was taken; how long it took; whether the plant, store or whatever the place was closed down or not; if not, what system was adopted with respect to incoming and outgoing goods; and generally, whether those superintending the physical work had clearly in mind that results were needed for accounting purposes as of a specific date and were capable of producing the results desired. If it later proves that the auditor was misinformed as to these points, the responsibility lies with his informant, except in special cases, wherein the attendant circumstances should put him on his guard as to careless statements or an intent to mislead.



In organizations wherein the accounting is known by the auditor to be conducted efficiently and regarded as of paramount importance, he may, and usually does, assume that errors coming within the scope of this caption have been obviated.

We find, therefore, that, under certain conditions, the auditor is justified in verifying the stated date of the inventory if he has reason to believe that accounting principles have not been properly considered, the purposes of the audit having an important bearing on the scope of his inquiry in the premises; and if adjustments cannot be made because of lack of information, his remedy lies in the withholding or qualification of his certificate.

#### **Consigned Goods—Inward**

It is the auditor's duty to ascertain that no goods held on consignment have been included in the inventory except, of course, in the case of a factor—and in the event of a factor also trading on his own account care must be exercised in determining whether or not the factor's own goods have been mixed with those of his principals. Obviously, in many cases, an auditor must rely on inquiry, and if he be misinformed, the same rules must apply as those recited under the foregoing caption. There are, however, cases in which consigned goods are of such a totally different nature from the balance of an inventory as to make it negligence for the auditor to pass them without adjustment. In many cases, where full records of consigned stock are kept and the contracts available, the auditor could offer but little excuse for certifying consignor's property as being that of the consignee.

Upon the information given and the possibility of independent verification depends the extent of an auditor's responsibility in the matter.

#### **Consigned Goods—Outward**

It is the auditor's duty to ascertain that consigned goods, outward, have been taken at prices not to exceed cost to consignor, whether in the hands of consignor's own selling agencies or elsewhere, except that in some cases, involving a greater distance from the f.o.b. purchasing point, additional carriers' charges may be added.

#### **Original Inventory Sheets**

If an official copy has been made, it is the duty of the auditor, in many cases, to inspect the original inventory sheets, however roughly they may have been compiled, and to test the accuracy of the official inventory, as to quantities, by comparing at least the large items. The scope of the test, however, will depend upon the



conditions present in each case. If errors are found in a short test, the auditor should pursue the work to a point where further possible errors are relatively negligible.

If the auditor is credibly informed, as sometimes happens, that the original inventory sheets have been destroyed or lost, his responsibility for errors in copying ceases, except that, should he have reason to believe the inventory to be understated or overstated by a relatively large amount and be unable to locate the error through other operations, he may withhold or qualify his certificate, as in other contingencies.

In many cases the auditor is specifically relieved of responsibility for copying errors, and in practice the operation is omitted in a large percentage of cases through reliance on the official copy, but it is a most fertile field for errors, and the auditor should not pass lightly over the matter in cases where the responsibility for undetected errors remains his.

#### **Gross Profit Test**

If an error of relatively large amount still exists in an inventory of stock-in-trade after adjustments have been made for all errors brought to light by the operations outlined under the foregoing captions, it will be reflected in the ratio of gross profit to sales; and any material change therein not warranted by existing conditions known to the auditor should form the basis for further inquiry as to principles, and possibly a more exhaustive examination for clerical errors.

If the material change cannot be satisfactorily explained away through further effort, the auditor has again the wording of his certificate to fall back upon, for he will be held responsible for the opinion expressed therein.

#### **Certificates on Inventories**

It is the duty of the auditor to see that the inventory total is certified by a responsible officer, and if the inventory be a large one, that each section is certified correct as to quantities by the employee who superintended the physical work. These certificates are frequently found on the original sheets.

In manufacturing concerns the head of the cost department should certify his section as being in agreement with controls and underlying detail records, and it is often desirable to have the factory superintendent countersign it, although at times it will be found that he is in ignorance of certain administrative burden charges.

It is often desirable for the auditor to obtain for his files a

separate certificate, executed by a responsible officer, reading, in the case of a trading concern, somewhat as follows: "I hereby certify that the inventory of merchandise, amounting to \$....., a summary of which is attached hereto, was taken as of (date) by responsible employees; that the items are priced at cost or market, whichever the lower; that no unsalable, depreciated or consigned goods are included therein; that the original sheets have been carefully compared as to quantities, and that, to the best of my knowledge and belief, the inventory is correct in all other respects."

If the auditor obtains such a certificate, it will, in many cases, obviate his going into many of the points heretofore discussed, but upon the purposes of the audit and the scope of his instructions depends the amount of reliance to be placed upon it and the extent to which responsibility for errors is thus shifted from his shoulders.

#### **Book Inventories Other than Stock-in-Trade and Bulk Material**

Book inventories other than stock-in-trade and bulk material would include current assets, chiefly represented by materials and supplies of all kinds, and fixed assets such as live stock, wagons, automobiles, stable or garage equipment, furniture and fixtures, or any items the book value and quantity of which it is usual and advisable to verify from time to time by physical inspection and count.

If actual inventories of current assets have been taken reasonably close to, but not on the balance sheet date, the auditor is usually justified in assuming the book inventories to be correct after routine audit of current book entries, provided the last inventory adjustment was not relatively large in amount; but if an important adjustment is necessary, that fact should put the auditor on his guard against carelessness or errors of principle.

The same rule would apply as to fixed assets except that the items usually being much smaller in number and much larger in amount, the auditor is almost invariably held responsible for the verification of each item of acquisition and disposition as reflected not only by book entries, but by the underlying records available, and he must exercise great care to see that the items are properly capitalized from the evidence at his disposal.

The auditor should see that proper reserves for depreciation have been provided against the book values of fixed assets, or that the book or inventory figures reflect depreciated values, but further discussion of this important subject does not come within the scope of this paper.

#### **Book Inventories of Bulk Material**

Book inventories of bulk material will consists of such items as ore, pig iron, sand, coal, coke, logs and scrap metal, and it is usual



not to attempt a physical inventory, and frequently impracticable so to do, until the piles or other units of storage are practically exhausted, which may take several years.

The usual practice is to add a small percentage to the weight or number consumed to cover waste or loss, and if the auditor ascertains that the usual allowance incident to the particular business has been made, he cannot be held responsible for shortages brought to light when the units are finally exhausted.

In the case of some stocks, a close estimate can be made of the contents of a pile—e.g., there are formulas for ascertaining the weight of coal of various sizes stored in bins—and an auditor should in these cases make inquiry as to how recently a test had been made, and how the result, multiplied by the average unit cost, compared with the book value at the time.

### Estimated Inventory of Stock-in-Trade

It occasionally happens that an auditor is called upon to report as to the estimated profits of a concern for a period at the end of which no inventory was taken. A vital element of gross profits being missing, the auditor has to supply it by a process of deduction, assuming a certain ratio of gross profit to sales to have existed for the period under review (usually the same as for the preceding period) and the inventory at beginning, purchases and sales being known.

In cases such as these the auditor should state clearly in his report that no inventory was taken and the means adopted to supply the deficiency.

It is most desirable that the auditor take the opinion of someone else as to the estimated ratio of gross profit to sales, and state in his report whose opinion has been followed, thus placing the responsibility where it belongs in the event of a misinterpretation or misuse of the figures submitted.

### Conclusion

As will be noted, an auditor's responsibilities in regard to verification of inventories are frequently onerous. Certain points may be covered by him in an unequivocal manner, while certain others must be accepted upon information and belief. He must exercise due diligence and care at all times and satisfy himself, to the best of his ability, from the evidence available, that the total amount is substantially correct. If he has conducted his work conscientiously and accurately and with a clear conception and an intelligent treatment of the many points involved, he has done his duty and the responsibility to his clients has been met.—From The Journal of Accountancy.



## BUSINESS PROFITS WAR TAX

### Summary of Rates of Taxes Payable under Business Profits War Tax Act of 1916 and Amendments to Date

#### *On Profits of Year Ending During 1915, Tax Payable 1916*

25% of excess profits over 7% of capital of companies having \$50,000 or more capital employed in the business.

25% tax on excess over 10% of all other businesses having \$50,000 or more capital.

#### *On Profits of 1916, Tax Payable 1917*

25% of excess over 7% of capital of companies having \$50,000 or more capital.

25% on excess over 10% of capital of all other businesses having \$50,000 or more capital.

#### *On Profits of 1917, Tax Payable 1918*

Businesses having \$50,000 or more capital, and Munition Businesses of less than \$50,000 capital.

Incorporated Companies.

25%	of excess over	.....	7%	up to 15%	of capital.
50%	" "	.....	15%	" 20%	"
75%	all " "	.....	20%	of capital.	

All other businesses.

25%	of excess over	.....	10%	up to 15%	of capital.
50%	" "	.....	15%	" 20%	"
75%	all " "	.....	20%	of capital.	

#### *On Profits of 1918, Tax Payable 1919*

All Businesses, Partnership and Incorporated Companies having \$25,000 or more, but less than \$50,000 capital.

25% on excess over 10% of capital.

Businesses having \$50,000 or more capital, and Munition Businesses of less than \$50,000 capital.

Incorporated Companies.

25%	of excess over	.....	7%	up to 15%	of capital.
50%	" "	.....	15%	" 20%	"
75%	all " "	.....	20%	of capital.	

All other businesses.

25%	of excess over	.....	10%	up to 15%	of capital.
50%	" "	.....	15%	" 20%	"
75%	all " "	.....	20%	of capital.	

#### *On Profits of 1919, Tax Payable 1920*

All Businesses, Partnership and Incorporated Companies having \$25,000 or more, but less than \$50,000 capital.

25% on excess over 10% of capital.

Businesses having \$50,000 or more capital, and Munition Businesses of less than \$50,000 capital.

Incorporated Companies.

25%	on excess over	.....	7%	up to 15%	of capital.
50%	" "	.....	15%	" 20%	"
75%	all " "	.....	20%	of capital.	

All other businesses.

25%	of excess over	.....	10%	up to 15%	of capital.
50%	" "	.....	15%	" 20%	"
75%	all " "	.....	20%	of capital.	

#### *On Profits of 1920, Tax Payable 1921*

All Businesses, Partnership and Incorporated Companies having \$25,000 or more, but less than \$50,000 capital.

20% on excess over 10% of capital.

Incorporated Companies having \$50,000 or more capital.

20%	on excess over	.....	10%	up to 15%	of capital.
30%	" "	.....	15%	" 20%	"
50%	" "	.....	20%	" 30%	"
60%	all " "	.....	30%	of capital.	

(See text of Amendment 1920 published in July issue).

# DOMINION INCOME TAX

## DOMINION INCOME TAX

### Summary of Rates of Taxes Payable under Income War Tax Act of 1917 and Amendments to Date

#### *Income of 1917, Tax Payable 1918*

4% Normal Tax on excess over \$1,500 of single persons, or over \$3,000 of married persons, as well as:—

2% on excess over	.....	\$ 6,000 up to \$	10,000
5% " "	.....	10,000 "	20,000
8% " "	.....	20,000 "	30,000
10% " "	.....	30,000 "	50,000
15% " "	.....	50,000 "	100,000
25% " "	.....	100,000	

Companies pay 4% Normal Tax only on excess over \$3,000.

#### *Income of 1918, Tax Payable 1919*

2% Normal Tax on excess over 1,000 up to \$1,500, and

4% on all excess over \$1,500 of single persons,

2% Normal Tax on excess over \$2,000 up to \$3,000, and

4% on all excess over \$3,000 of married persons as well as:—

2% on excess over	.....	\$ 6,000 up to \$	10,000
5% " "	.....	10,000 "	20,000
8% " "	.....	20,000 "	30,000
10% " "	.....	30,000 "	50,000
15% " "	.....	50,000 "	75,000
20% " "	.....	75,000 "	100,000
25% " "	.....	100,000 "	200,000
30% " "	.....	200,000 "	400,000
35% " "	.....	400,000 "	600,000
40% " "	.....	600,000 "	800,000
45% " "	.....	800,000 "	1,000,000
50% " "	.....	1,000,000	

And in addition to above.

5% of tax on excess Income over	.....	\$ 6,000 up to \$	10,000
10% " "	.....	10,000 "	100,000
15% " "	.....	100,000 "	200,000
35% " "	.....	200,000	

Companies pay 6% Normal Tax only on excess over \$3,000.

#### *Income of 1919, Tax Payable 1920*

4% Normal Tax on excess over \$1,000 up to \$6,000 of single persons, or over \$2,000 of married persons, and 8% Normal Tax on all excess over \$6,000 of all persons as well as:—

1% on excess over	.....	\$ 5,000 up to \$	6,000
2% " "	.....	6,000 "	8,000
3% " "	.....	8,000 "	10,000
4% " "	.....	10,000 "	12,000

and so on 1% added for every additional \$2,000 of income up to \$100,000.

52% on excess	.....	\$ 100,000 up to \$	150,000
56% " "	.....	150,000 "	200,000
60% " "	.....	200,000 "	300,000
63% " "	.....	300,000 "	500,000
64% " "	.....	500,000 "	1,000,000
65% " "	.....	1,000,000	

And also 5% on the above Taxes when Income is \$5,000 or more.

Companies pay 10% Normal Tax on excess Income over \$2,000, and in addition, 5% on tax when Income is \$5,000 or more.

#### *Income of 1920, Tax Payable 1921*

Same rates as shown above for 1919, but one-fourth of the amount of tax is to be paid on filing return and balance in three bi-monthly instalments, and penalty of 10% or 50% or 100% on excess income not reported.

(See text of Amendment 1920 published in July issue).

1920

THE INCOME WAR TAX ACT AMENDED

Companies

Corporations will pay 10 per cent. on net income in excess of \$2,000, and in addition 5% on tax when income is \$5,000 or more.

Individuals

NORMAL TAX

Individuals will pay 4 per cent. upon all incomes exceeding \$1,000 up to \$6,000 in the case of unmarried persons, widows and widowers without dependent children, and upon all incomes exceeding \$2,000 up to \$6,000 in the case of all other persons.

From the Normal Tax only individuals are exempt on \$200 of income for each dependent child under eighteen years of age.

Individuals will pay 8 per cent. Normal Tax upon all excess over \$6,000.

SUPER TAX

Individuals, in addition to the Normal Tax, will pay a Super Tax of:—

One per cent. on income exceeding \$5,000, but not exceeding \$6,000.

Two per cent. on income exceeding \$6,000, but not exceeding \$8,000.

Three per cent. on income exceeding \$8,000, but not exceeding \$10,000.

And so on, in like manner, the Super Tax is increased by graduation 1 per cent. additional tax for every additional \$2,000 of income up to \$100,000.

Increased Super Tax rates are levied upon all incomes in excess of \$100,000.

And in addition to the Normal Tax and the Super Tax, 5 per cent. on the combined amount of the Normal and Super Taxes where the income is \$5,000 or more.



# INCOME TAX RATES

## Amount of Tax on Incomes of 1919 and 1920

Unmarried			Married		
Income.	Persons.	Persons.	Income.	Persons.	Persons.
\$ 1,000	Exempt	Exempt	\$ 3,000	\$ 80	\$ 40
1,100	\$ 4	"	3,100	84	44
1,200	8	"	3,200	88	48
1,300	12	"	3,300	92	52
1,400	16	"	3,400	96	56
1,500	20	"	3,500	100	60
1,600	24	"	3,600	104	64
1,700	28	"	3,700	108	68
1,800	32	"	3,800	112	72
1,900	36	"	3,900	116	76
2,000	40	"	4,000	120	80
2,100	44	\$ 4	4,100	124	84
2,200	48	8	4,200	128	88
2,300	52	12	4,300	132	92
2,400	56	16	4,400	136	96
2,500	60	20	4,500	140	100
2,600	64	24	4,600	144	104
2,700	68	28	4,700	148	108
2,800	72	32	4,800	152	112
2,900	76	36	4,900	156	116

## Married Persons

Tax on \$5,000 up to \$8,900.

NOTE.—Unmarried persons and widows and widowers without dependent children pay \$42 more than married persons on income of \$5,000 or more.

Married		Married	
Income.	Persons.	Income.	Persons.
\$ 5,000	\$ 126.00	\$ 7,000	\$ 283.50
5,100	131.25	7,100	294.00
5,200	136.50	7,200	304.50
5,300	141.75	7,300	315.00
5,400	147.00	7,400	325.50
5,500	152.25	7,500	336.00
5,600	157.50	7,600	346.50
5,700	162.75	7,700	357.00
5,800	168.00	7,800	367.50
5,900	173.25	7,900	378.00
6,000	178.50	8,000	388.50
6,100	189.00	8,100	400.05
6,200	199.50	8,200	411.60
6,300	210.00	8,300	423.15
6,400	220.50	8,400	434.70
6,500	231.00	8,500	446.25
6,600	241.50	8,600	457.80
6,700	252.00	8,700	469.35
6,800	262.50	8,800	480.90
6,900	273.00	8,900	492.45

# THE CANADIAN CHARTERED ACCOUNTANT

## Married Persons

Tax on \$9,000 up to \$16,900.

Married		Married	
Income.	Persons.	Income.	Persons.
\$ 9,000 .....	\$ 504.00	\$13,000 .....	\$1,008.00
9,100 .....	515.55	13,100 .....	1,021.65
9,200 .....	527.10	13,200 .....	1,035.30
9,300 .....	538.65	13,300 .....	1,048.95
9,400 .....	550.20	13,400 .....	1,062.60
9,500 .....	561.75	13,500 .....	1,076.25
9,600 .....	573.30	13,600 .....	1,089.90
9,700 .....	584.85	13,700 .....	1,103.55
9,800 .....	596.40	13,800 .....	1,117.20
9,900 .....	607.95	13,900 .....	1,130.85
10,000 .....	619.50	14,000 .....	1,144.50
10,100 .....	632.10	14,100 .....	1,159.20
10,200 .....	644.70	14,200 .....	1,173.90
10,300 .....	657.30	14,300 .....	1,188.60
10,400 .....	669.90	14,400 .....	1,203.30
10,500 .....	682.50	14,500 .....	1,218.00
10,600 .....	695.10	14,600 .....	1,232.70
10,700 .....	707.70	14,700 .....	1,247.40
10,800 .....	720.30	14,800 .....	1,262.10
10,900 .....	732.90	14,900 .....	1,276.80
11,000 .....	745.50	15,000 .....	1,291.50
11,100 .....	758.10	15,100 .....	1,306.20
11,200 .....	770.70	15,200 .....	1,320.90
11,300 .....	783.30	15,300 .....	1,335.60
11,400 .....	795.90	15,400 .....	1,350.30
11,500 .....	808.50	15,500 .....	1,365.00
11,600 .....	821.10	15,600 .....	1,379.70
11,700 .....	833.70	15,700 .....	1,394.40
11,800 .....	846.30	15,800 .....	1,409.10
11,900 .....	858.90	15,900 .....	1,423.80
12,000 .....	871.50	16,000 .....	1,438.50
12,100 .....	885.15	16,100 .....	1,454.25
12,200 .....	898.80	16,200 .....	1,470.00
12,300 .....	912.45	16,300 .....	1,485.75
12,400 .....	926.10	16,400 .....	1,501.50
12,500 .....	939.75	16,500 .....	1,517.25
12,600 .....	953.40	16,600 .....	1,533.00
12,700 .....	967.05	16,700 .....	1,548.75
12,800 .....	980.70	16,800 .....	1,564.50
12,900 .....	994.35	16,900 .....	1,580.25

# INCOME TAX RATES

## Married Persons

Tax on \$17,000 up to \$25,000.

Married		Married	
Income.	Persons.	Income.	Persons.
\$17,000 .....	\$1,596.00	\$21,000 .....	\$2,268.00
17,100 .....	1,611.75	21,100 .....	2,285.85
17,200 .....	1,627.50	21,200 .....	2,303.70
17,300 .....	1,643.25	21,300 .....	2,321.55
17,400 .....	1,659.00	21,400 .....	2,339.40
17,500 .....	1,674.75	21,500 .....	2,357.25
17,600 .....	1,690.50	21,600 .....	2,375.10
17,700 .....	1,706.25	21,700 .....	2,392.95
17,800 .....	1,722.00	21,800 .....	2,410.80
17,900 .....	1,737.75	21,900 .....	2,428.65
18,000 .....	1,753.50	22,000 .....	2,446.50
18,100 .....	1,770.30	22,100 .....	2,465.40
18,200 .....	1,787.10	22,200 .....	2,484.30
18,300 .....	1,803.90	22,300 .....	2,503.20
18,400 .....	1,820.70	22,400 .....	2,522.10
18,500 .....	1,837.50	22,500 .....	2,541.00
18,600 .....	1,854.30	22,600 .....	2,559.90
18,700 .....	1,871.10	22,700 .....	2,578.80
18,800 .....	1,887.90	22,800 .....	2,597.70
18,900 .....	1,904.70	22,900 .....	2,616.60
19,000 .....	1,921.50	23,000 .....	2,635.50
19,100 .....	1,938.30	23,100 .....	2,654.40
19,200 .....	1,955.10	23,200 .....	2,673.30
19,300 .....	1,971.90	23,300 .....	2,692.20
19,400 .....	1,988.70	23,400 .....	2,711.10
19,500 .....	2,005.50	23,500 .....	2,730.00
19,600 .....	2,022.30	23,600 .....	2,748.90
19,700 .....	2,039.10	23,700 .....	2,767.80
19,800 .....	2,055.90	23,800 .....	2,786.70
19,900 .....	2,072.70	23,900 .....	2,805.60
20,000 .....	2,089.50	24,000 .....	2,824.50
20,100 .....	2,107.35	24,100 .....	2,844.45
20,200 .....	2,125.20	24,200 .....	2,864.40
20,300 .....	2,143.05	24,300 .....	2,884.35
20,400 .....	2,160.90	24,400 .....	2,904.30
20,500 .....	2,178.75	24,500 .....	2,924.25
20,600 .....	2,196.60	24,600 .....	2,944.20
20,700 .....	2,214.45	24,700 .....	2,964.15
20,800 .....	2,232.30	24,800 .....	2,984.10
20,900 .....	2,250.15	24,900 .....	3,004.05
		25,000 .....	3,024.00



**Married Persons**

**Tax on Income in Excess of \$25,000.**

**NOTE.**—Unmarried persons and widows and widowers without dependent children pay \$42 more than married persons on income of \$5,000 or more.

Over \$25,000 to \$26,000:

Take tax on first \$25,000—\$3,024. (See other table.) Add \$19.95 on each \$100 excess.

Over \$26,000 to \$28,000:

Take tax on first \$26,000—\$3,223.50.

Add \$21.00 on each \$100 excess.

Over \$28,000 to \$30,000:

Take tax on first \$28,000—\$3,643.50.

Add \$22.05 on each \$100 excess.

Over \$30,000 to \$32,000:

Take tax on first \$30,000—\$4,084.50.

Add \$23.10 on each \$100 excess.

Over \$32,000 to \$34,000:

Take tax on first \$32,000—\$4,546.50.

Add \$24.15 on each \$100 excess.

Over \$34,000 to \$36,000:

Take tax on first \$34,000—\$5,029.50.

Add \$25.20 on each \$100 excess.

Over \$36,000 to \$38,000:

Take tax on first \$36,000—\$5,533.50.

Add \$26.25 on each \$100 excess.

Over \$38,000 to \$40,000:

Take tax on first \$38,000—\$6,058.50.

Add \$27.30 on each \$100 excess.

Over \$40,000 to \$42,000:

Take tax on first \$40,000—\$6,604.50.

Add \$28.35 on each \$100 excess.

Over \$42,000 to \$44,000:

Take tax on first \$42,000—\$7,171.50.

Add \$29.40 on each \$100 excess.

Over \$44,000 to \$46,000:

Take tax on first \$44,000—\$7,759.50.

Add \$30.45 on each \$100 excess.

Over \$46,000 to \$48,000:

Take tax on first \$46,000—\$8,368.50.

Add \$31.50 on each \$100 excess.

Over \$48,000 to \$50,000:

Take tax on first \$48,000—\$8,998.50.

Add \$32.55 on each \$100 excess.

Over \$50,000 to \$52,000:

Take tax on first \$50,000—\$9,649.50.

Add \$33.60 on each \$100 excess.

Over \$52,000 to \$54,000:

Take tax on first \$52,000—\$10,321.50.

Add \$34.65 on each \$100 excess.

Over \$54,000 to \$56,000:

Take tax on first \$54,000—\$11,014.50.

Add \$35.70 on each \$100 excess.

## INCOME TAX RATES

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Over \$56,000 to \$58,000:	Take tax on first \$56,000—\$11,728.50. Add \$36.75 on each \$100 excess.
Over \$58,000 to \$60,000:	Take tax on first \$58,000—\$12,463.50. Add \$37.80 on each \$100 excess.
Over \$60,000 to \$62,000:	Take tax on first \$60,000—\$13,219.50. Add \$38.85 on each \$100 excess.
Over \$62,000 to \$64,000:	Take tax on first \$62,000—\$13,996.50. Add \$39.90 on each \$100 excess.
Over \$64,000 to \$66,000:	Take tax on first \$64,000—\$14,794.50. Add \$40.95 on each \$100 excess.
Over \$66,000 to \$68,000:	Take tax on first \$66,000—\$15,613.50. Add \$42.00 on each \$100 excess.
Over \$68,000 to \$70,000:	Take tax on first \$68,000—\$16,453.50. Add \$43.05 on each \$100 excess.
Over \$70,000 to \$72,000:	Take tax on first \$70,000—\$17,314.50. Add \$44.10 on each \$100 excess.
Over \$72,000 to \$74,000:	Take tax on first \$72,000—\$18,196.50. Add \$45.15 on each \$100 excess.
Over \$74,000 to \$76,000:	Take tax on first \$74,000—\$19,099.50. Add \$46.20 on each \$100 excess.
Over \$76,000 to \$78,000:	Take tax on first \$76,000—\$20,023.50. Add \$47.25 on each \$100 excess.
Over \$78,000 to \$80,000:	Take tax on first \$78,000—\$20,968.50. Add \$48.30 on each \$100 excess.
Over \$80,000 to \$82,000:	Take tax on first \$80,000—\$21,934.50. Add \$49.35 on each \$100 excess.
Over \$82,000 to \$84,000:	Take tax on first \$82,000—\$22,921.50. Add \$50.40 on each \$100 excess.
Over \$84,000 to \$86,000:	Take tax on first \$84,000—\$23,929.50. Add \$51.45 on each \$100 excess.
Over \$86,000 to \$88,000:	Take tax on first \$86,000—\$24,958.50. Add \$52.50 on each \$100 excess.
Over \$88,000 to \$90,000:	Take tax on first \$88,000—\$26,008.50. Add \$53.55 on each \$100 excess.
Over \$90,000 to \$92,000:	Take tax on first \$90,000—\$27,079.50. Add \$54.60 on each \$100 excess.
Over \$92,000 to \$94,000:	Take tax on first \$92,000—\$28,171.50. Add \$55.65 on each \$100 excess.

Over \$94,000 to \$96,000:	Take tax on first \$94,000—\$29,284.50. Add \$56.70 on each \$100 excess.
Over \$96,000 to \$98,000:	Take tax on first \$96,000—\$30,418.50. Add \$57.75 on each \$100 excess.
Over \$98,000 to \$100,000:	Take tax on first \$98,000—\$31,573.50. Add \$58.80 on each \$100 excess.
Over \$100,000 to \$150,000:	Take tax on first \$100,000—\$32,749.50. Add \$630 on each \$1000 excess.
Over \$150,000 to \$200,000:	Take tax on first \$150,000—\$64,249.50. Add \$672 on each \$1000 excess.
Over \$200,000 to \$300,000:	Take tax on first \$200,000—\$97,849.50. Add \$714 on each \$1000 excess.
Over \$300,000 to \$500,000:	Take tax on first \$300,000—\$169,249.50. Add \$745.50 on each \$1000 excess.
Over \$500,000 to \$1,000,000:	Take tax on first \$500,000—\$318,349.50. Add \$756 on each \$1000 excess.
Over \$1,000,000:	Take tax on first \$1,000,000—\$696,349.50 Add \$766.50 on each \$1000 excess.



THE  
CANADIAN CHARTERED ACCOUNTANT

PUBLISHED QUARTERLY UNDER THE AUSPICES OF THE  
DOMINION ASSOCIATION OF CHARTERED ACCOUNTANTS

Subscription \$1.00 per annum in advance.

The Publication Committee will be pleased to receive contributions on subjects of interest. Papers which may not be deemed suitable will be returned, if desired.

All communications to be addressed to "The Canadian Chartered Accountant," 518 Continental Life Building, Toronto, Ont.

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1921

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ONCE more old Father Time brings round a new year, which in our sphere is the signal for closing up the year's accounts, turning over a new leaf, and making another start. The Publication Committee desire at this time to extend to you the season's greetings and best wishes for your happiness and prosperity. They also desire to express their thanks and appreciation for the many kind words of commendation received during the year. It is the aim and hope of the Committee to constantly maintain the standard and usefulness of the magazine to the profession and they again invite contributions on occupational subjects from Canadian Accountants. As announced in October, commencing with the July number, the magazine will become a bi-monthly. May we hope that this is a step toward a greater magazine?

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BUSINESS PROFITS WAR TAX ACT

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IT is possible that in the legislation of the coming parliamentary session the Business Profits Tax will disappear. Imposed as a revenue-producer in war time when big profits were being made in munitions and similar activities it served a profitable purpose. Now it is regarded as a handicap on business. What is more, it is believed that the number of firms rolling up any "excess" profits this year will be few, so the revenue from that source may be small. The chances are that the tax will be wiped out altogether.

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DIVIDEND RULING

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Under a recent ruling of the Finance Department, dividends declared exclusively from profits realized before January 1, 1917, distributed on or before December 31, 1920, will not be liable to taxation under Dominion Act.

## INCOME WAR TAX ACT

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THE income tax may be accepted as a comparative permanency. The rates are not likely to be changed materially, but greater efficiency in collection is aimed at. The penalties this year will be practically automatic and very severe as instanced by the fact that in the case of a party making a deficient return, the whole amount of the deficiency may be appropriated by the government in addition to the taxes on the proper total, and prosecution, criminally, for making a false return.

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## WAR FINANCING

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MR. J. H. GUNDY, Canada's representative at the international financial conference held in Brussels, Belgium, in a recent address on "War Financing and its Consequences," said that the cause of the present unrest in the world was inflated credits and that there should be a return to a gold basis and a general reduction of expenditures. He also pointed out that the Minister of Finance had taken in one hundred million dollars of war loan during the past year.

Forty per cent. of the entire income of European peoples was being spent by their Governments, Mr. Gundy said. Britain was the only country which was raising enough to meet its expenditures. And, speaking of inflated credits, he said:

"Inflation not only decreases prices, relieves a man from his debts, cuts wages and creates unrest, but it makes trade difficult, because it is impossible to learn what a dollar will be worth to-morrow."

The conference had suggested that Europe should help itself by stopping inflation, but people of America should be willing to lend to Europe out of their savings.

Wealth could be produced only by work and production. Extravagance should cease and unnecessary expenditures should be postponed and there should be an absolute abandonment of subsidies.

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## CANADIAN INDUSTRIES

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STATISTICS showing the number, capitalization, payroll and production of the manufacturing establishments in forty-four cities in Canada in 1918 have been compiled by the Dominion Bureau of Statistics. Montreal and Toronto, as might be expected, head the

list of industrial cities. Toronto leads in the number of establishments, having 2,835 as compared with Montreal's 2,375. Montreal's manufactories, however, boast higher capitalization, larger number of employees and output of a greater value than do those of Toronto. The capitalization of Montreal industries is placed at \$468,401,481, the number of their employees at 157,878, their payroll for the year at \$110,196,219, the raw materials they utilized at \$291,973,466, and the value of their products at \$551,814,605. Toronto industries had an aggregate capital of \$392,045,178, employed 106,128 persons, paid in wages \$105,509,698, utilized raw materials worth \$266,580,781, and produced goods valued at \$506,429,283.

Hamilton stands fourth in the list in point of number of establishments, having 685 as compared with Winnipeg's 779. But Hamilton stands third for other reasons. Hamilton's industries were capitalized at \$142,336,442, employed 30,944, paid in salaries and wages \$31,901,388, used raw materials valued at \$114,258,586, and produced finished goods worth \$188,456,598. Vancouver is fifth, Ottawa sixth, Quebec seventh, and London, Ont., eighth in point of view of number of establishments.

The statistics cover the industries of 44 cities, of which 23 are in Ontario. The total number of establishments given is approximately 12,800, with capitalization exceeding two billion dollars and giving employment in 1918 to nearly 500,000 persons.

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## NO FOOLS IN PARADISE

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Ex-President Taft said during one of his lectures in Canada:

"If we don't take warning from this war—if we don't devise some means to have no more wars forever—then we deserve to be extinguished, wiped out. Goodness knows we have had war warnings enough!

"I am reminded of a story," Mr. Taft went on. "It's a story about two men who died and knocked for admission at the gate of Paradise.

"St. Peter admitted the first man without sending him for a term in purgatory on the ground that he had been married.

"The second man, perceiving this, stepped up with a confident smile.

"'I have been married twice,' he said.

"St. Peter frowned and pointed sternly straight downward with his fore-finger.

"'We want no fools in Paradise,' said the saint."



## ESQUIRE

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**D**EMOCRATIC Canadians who approve the Dominion's no-title policy may be surprised to learn that the "Esquire" so often written unthinkingly after the name of an addressee is really a nobiliary title, and that the Royal College of Herald's is endeavoring to stop its misuse in England. There are Esquires by virtue of inheritance or by grant of arms from the Crown, and also Esquires *ex officio*, such as Episcopalian divines, judges, commissioned officers, and members of the bar.

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## PERSONALS

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Messrs. Rorie and Small, Vancouver, B.C., have pleasure in announcing that they have opened a Branch Office in the Smith Block, Third Avenue, Prince Rupert, B.C., and that Mr. George Rorie, C.A., will be the resident partner in charge of this office for the time being.

Messrs. Wm. R. Jex, Colin P. MacKintosh and David A. B. Murray, announce having formed a partnership as Chartered Accountants with office at 307 McIntyre Block, Winnipeg.

Messrs. Guthrie, Hunter & Co., Chartered Accountants, 59 Wall Street, New York, announce that Mr. Thomas Heads, C.A., will become active as a partner from January 1st, 1921.

Messrs. P. Miles Taylor & Co., New York, announce removal of their office to 49 Wall Street.

Messrs. Clarke, Houston & Co., announce the removal of their Toronto office from 32 Church St. to 58 Wellington St. East.

Mr. W. A. Tolmie, C.A., has retired from the firm of Alfred Shaw, Tolmie & Co., Vancouver, B.C., and has opened offices at 722 Standard Bank Building. Mr. Shaw, C.A., will continue business at Rooms 708-9-10 Credit Foncier Building, Vancouver.



THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF ONTARIO

—  
(Incorporated 1883.)

R. J. Dilworth, President.

T. Watson Sime, Secretary.

W. J. Valleau, Registrar.

The Chartered Accountants Students' Association held a very successful and enjoyable dinner at the Mossop Hotel, on the evening of Tuesday, December 7th, when those present had the pleasure of hearing an address on "Municipal Finance," by Mr. Thomas Bradshaw, late Commissioner of Finance of the City of Toronto. The attendance was large (132), many of the leading Chartered Accountants of the city being present.

The younger members of the Institute have lately inaugurated a luncheon club and propose holding a noon lunch for the members once a month. The first of these luncheons was held on Monday, the 13th of December, at the Mossop Hotel, and was a great success, over 70 of the local members attending. The speaker for the occasion was Mr. George Edwards, who gave an interesting description of the Accounting and Auditing System adopted by the Imperial Munition Board during the stress of war. Future luncheons will be held the second Monday in each month and all Chartered Accountants will be welcome.

The Examination Committee held a meeting on the 23rd of December, when Mr. Arnold Morphy was unanimously re-elected Chairman of the Committee, and the examiners for next examinations were appointed.

Owing to a proposed change in the Institute year, to conform with other Canadian Institutes, it will be necessary to hold the examinations the beginning of May. Particulars will be advised applicants and students as soon as the time is definitely fixed.

The following books have been added to the Library since the 1920 catalogue was issued:—

Sec. B Cost Accounting, Part 1 .....Nicholson and Rorbach 47  
Cost Accounting. Part 2 .....Nicholson and Rorbach 48

	Departmental Cost Keeping .....	Lunt	50
	Principles and Practice of Cost Accounting ....	Baugh	52
	The Workers' Interest in Costing .....	Jenkinson	51
Sec. C	Duties of Auditors .....	Pixley	33
	How to Audit .....		32
Sec. D	Annual Financial Review .....	Houston	70
	Office Machinery and Appliances .....	Dicksee	58
Sec. E	Common Sense and Labor .....	Crowther	74
	English Public Finance .....	Fisk	72
	Principles of Profit Sharing .....	Button	75
	Why Men Strike .....	Crowther	73
Sec. F	Concordance of The Companies Act		
	Business Profits War Tax Act	Bell	91-92
	Income War Tax Act		
	Business Profits War Tax Act, Consolidated .....	Bell	93
	Canadian Bankruptcy Reports, Annotated. Vol. 1.....		101
	Canadian Bankruptcy Reports, Annotated. Vol. 2.....		102
	Company Law .....	Masten and Fraser	95
	Everyman's Legal Guide .....	Meek	89
	Excess Profits Tax Procedure (U.S.) ....	Montgomery	88
	Municipal Manual .....	Robson and Hugg	94



# INSTITUTE OF CHARTERED ACCOUNTANTS OF MANITOBA

(Incorporated 1886.)

F. C. Gilbert, President.

W. J. Spence, Secretary.

Results of examinations conducted by the University of Manitoba for the Institute were announced recently. Full details will be available after the next monthly meeting of the Council of the Institute.

The following is a list of the successful candidates: Intermediate—Bryers, Brandon H.; Holloway, John L.; Horne, Henry B.; McDonald, Walter W.; Partridge, Harold R. (conditioned in Accounting I. and II.); Saul, Thomas E.

The following passed supplemented examinations in the subjects



indicated: Gould, William A., English and Commercial Law II.; Hare, Geo. B., English; Sharp, Harry, Accounting II.

Final examinations: Goodman, Geoffrey H.

The following passed supplemental examinations in the subjects indicated: Aitken, William, Accounting I. and II.; Dunbar, James E., Auditing I. and Accounting II.; Gibbs, Philip A., Accounting I. and III.; Gray, Alexander, Auditing II. and Accounting II.; Hanson, Harold S., Accounting II.; Neilson, Gordon A., Accounting I.; Slocomb, Karl G., Accounting II.; Turner, Albert E., Accounting II.



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**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF  
BRITISH COLUMBIA**

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(Incorporated 1905.)

J. B. Woodthorpe, President.

H. D. Christie, Secretary-Treasurer.

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Since the issue of our last News Letter the following have for various reasons ceased to be members of this Institute, viz: Messrs. E. R. Alderson, H. W. Godby, J. Marwick, J. C. Gillespie, T. K. Hodge, G. Leicester and G. R. Hughes.

An arrangement has been made with the University of British Columbia whereby the Junior Matriculation Examination of that body, held in June each year, will take the place of the Preliminary Examination hitherto conducted by this Institute.

A society called "The Chartered Accountants Literary and Debating Society of British Columbia" has been started this winter and some interesting and useful debates have already been held in the Institute Rooms. The Students' Society has also held one or two meetings and had the benefit, on the evening of the 30th November, of a lecture on the Bankruptcy Act delivered by Mr. Geo. E. Winter.

The amendments to By-laws Nos. 1 and 6 of the Dominion Association were considered by the Council on the 6th October, 1920, and agreed upon.

*This Institute again cordially invites the members of the Dominion Association to attend the Convention to be held in Vancouver next summer.*

# Dominion Association of Chartered Accountants



## OFFICERS 1920-1921

### PRESIDENT :

GEORGE E. WINTER .. .. . Vancouver, B.C.

### VICE-PRESIDENT :

H. D. CREIGHTON .. .. . Halifax, N.S.

### SECRETARY-TREASURER :

H. D. CHRISTIE, .. 905 Yorkshire Building, Vancouver, B.C.

## COUNCIL

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JAMES HUTCHISON, Montreal, Que. ..	
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BRYAN PONTIFEX, Toronto, Ont. ..	
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JOHN PARTON, Winnipeg, Man. ..	The Institute of Chartered Accountants of Manitoba.
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G. W. DIXON, Halifax, N.S. ..	The Institute of Chartered Accountants of Nova Scotia.
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G. C. ROOKE, Regina, Sask. ..	The Institute of Chartered Accountants of Saskatchewan.
B. R. MASECAR, Saskatoon, Sask. ..	
J. B. SUTHERLAND, Calgary, Alta. ..	The Institute of Chartered Accountants of Alberta.
W. H. A. THOMPSON, Calgary, Alta. }	
W. A. LOUDOUN, Fredericton, N.B. ..	The Institute of Chartered Accountants of New Brunswick.

OFFICIAL LIST MEMBERS DOMINION ASSOCIATION OF  
CHARTERED ACCOUNTANTS

NOTE.—This list does not contain the names of those members of a Provincial Society non-resident in Canada, By-Law No. 1 of the Dominion Association of Chartered Accountants providing "the membership shall be *ipso facto* the members in good standing resident in Canada," etc.

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The Association of Accountants in Montreal

- APEDAILE, J. L., c/o Price Bros., Quebec.  
BAKER, C. W., 232 St. James Street, Montreal.  
BAKER, E. M., 117 Church Street, Windsor, Ontario.  
BALLANTYNE, A., c/o Marwick Mitchell and Company, Montreal.  
BENNETT, E. J., 1528 Bank of Hamilton Building, Toronto.  
BIRNIE, J. G., 232 St. James Street, Montreal.  
BLACKSTONE, F. GORDON, 1008 Eastern Township Building, Montreal.  
BRIMACOMBE, L., 180 St. James Street, Montreal.  
BRODIE, A. B., 608 Dominion Express Building, Montreal.  
BURDEN, G. S., 80 St. Francois Xavier Street, Montreal.  
CAMPBELL, S. R., 142 Notre Dame street West, Montreal.  
CINQ MARS, A., 50 Notre Dame Street West, Montreal.  
CLAGUE, J. A., Sun Life Assurance Company, Montreal.  
CLAPPERTON, H. D., 80 St. Francois Xavier Street, Montreal.  
COLE, A. W., 157 St. James Street, Montreal.  
COLE, ERNEST C., 84 Commercial Union Building, Montreal.  
CROSS, A., 142 Notre Dame Street West. Montreal.  
CURRIE, G. S., 179 St. James Street, Montreal.  
CUSHING, L., 80 St. Francois Xavier Street, Montreal.  
DAVENPORT, GEO., Room 200, 103 St. Francois Xavier St., Montreal.  
DOWIE, L. A., 10 Adelaide Street East, Toronto.  
DURNFORD, GEO., 189 St. James Street, Montreal.  
EDWARDS, H. P., 107 St. James Street, Montreal.  
FERRIE, R., 802 Royal Bank Building, Toronto.  
FISK, A. K., 703-4 Eastern Townships Bank Building, Montreal.  
GAGNON, P. A., 316 Quebec Bank Building, Montreal.  
GOWAN, A. A., 17 St. John Street, Montreal.  
GRANT, J. A., 142 Notre Dame Street West, Montreal.  
HAINS, JOHN MCD., 412 Coristine Building, Montreal.  
HILL, M. S. T., 235 Board of Trade Building, Montreal.  
HODGSON, C. A., 80 St. Francois Xavier Street, Montreal.  
HODGSON, G. W., 511 Power Building, 83 Craig Street West, Montreal.  
HOPE, A. E. M., 263 St. James Street, Montreal.  
HUNTER, GEO. JR., 80 St. Francois Xavier Street, Montreal.  
HUTCHISON, JAS., 80 St. Francois Xavier Street, Montreal.  
HYDE, JOHN, 18 St. Alexis Street, Montreal.  
JONES, G. MCCARTHY, 854 Lorne Crescent, Montreal.  
JONES, W. S., 137 McGill Street, Montreal.



- KERR, DAVID S., 232 St. James Street, Montreal.  
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KENT, L., 180 St. James Street, Montreal.  
L'HEUREUX, J. A., 296 St. Paul Street West, Montreal.  
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LARUE, J. A., 126 Rue St. Pierre, Quebec.  
MACINTOSH, P., 157 St. James Street, Montreal.  
MCDONALD, G. C., 179 St. James Street, Montreal.  
MCNAB, J. C., 201 Royal Trust Building, Montreal.  
MIDGLEY, H. E., 103 St. Francois Xavier Street, Montreal.  
MILLAR, ROBERT, 71A St. James Street, Montreal.  
MITCHELL, A. F., 69 St. Francois Xavier Street, Montreal.  
MUNDELL, W. J., 27 Alloway Avenue, Winnipeg, Man.  
MURRAY, JR., J. R., 241 Clarke Ave., Westmount, Que.  
PARENTEAU, L. C., 103 St. Francois Xavier Street, Montreal.  
PATERSON, C. A., 157 St. James Street, Montreal.  
PATERSON, JOHN, 80 St. Francois Xavier Street, Montreal.  
PAYNE, GORDON S., 232 St. James Street, Montreal.  
PECKHAM, S. BRITTAIN, 142 Notre Dame Street West, Montreal.  
PEEL, EDWIN, 109 Board of Trade Building, Montreal.  
PIPER, H. S. T., 13 Vendome Avenue, Montreal.  
PLIMSOLL, A. H., 210 Milton Street, Montreal.  
PROBYN, PERCIVAL, 145 St. James Street, Montreal.  
RATHIE, A. H., 470 Granville Street, Vancouver, B.C.  
RATHIE, W. W., 120 St. James Street, Montreal.  
RIDDELL, A. F., 80 St. Francois Xavier Street, Montreal.  
RITCHIE, C. F., 211 McGill Street, Montreal.  
ROBERTSON, A. S., 128 Bleury Street, Montreal.  
ROSS, ALEX. F. C., 142 Notre Dame Street West, Montreal.  
ROSS, J. G., 142 Notre Dame Street West, Montreal.  
ROSS, JOHN W., 142 Notre Dame Street West, Montreal.  
ROSS, R. C., 80 St. Francois Xavier Street, Montreal.  
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## HISTORY OF ACCOUNTING, AUDITING AND BOOKKEEPING\*

BY J. HAYDN YOUNG, C.A.

(George A. Touche & Company, Vancouver, B.C.)

**T**HIS subject has been selected by me for a short lecture in the hope that the history of the events leading to the development of our profession may be of interest to the members of this club. Although I am keenly interested in ancient history, I must disclaim credit for any great research in the preparation of the data in this paper, inasmuch as I am almost entirely indebted therefor to that splendid book, "History of Accounting and Accountants," edited and partly written by the late Richard Brown, C.A., Edinburgh, from which work copious notes and extracts have been taken.

You will find as we proceed that a very long period in the world's history is covered. Within the scope of a short lecture, therefore, many periods and subjects, which in themselves could form material for a whole lecture, can only be touched upon very superficially.

With the intellectual and commercial development of mankind from the dawn of civilization there naturally followed social life, the formation of communities, tribes, states and kingdoms, accompanied by material possessions and the levying of various forms of tribute and taxation. These conditions necessitated some form of organization and system of keeping count and reckoning, from which, we may say, the Science of Accounting originated.

At the beginning of the nineteenth century it was supposed that authentic history started with the Greeks and the Romans about 500 B.C., but, thanks to the knowledge acquired during the nineteenth and twentieth centuries from archæological discoveries and methods of reading old tablets, we can now go back to thousands of years prior to this.

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\*Lecture given before the Chartered Accountants' Literary and Debating Club, Vancouver, B.C., 19th January, 1921.

I will, therefore, start with, as far as I am aware, the earliest authentic records, and, strange as it may seem, I must take you back, geographically, to "The Garden of Eden."

The "Garden of Eden," as you know, is stated in Biblical history to have lain between the rivers Tigris and Euphrates, which is now known as Mesopotamia, and here was the mighty Babylonian-Chaldean Empire, 4500 years B.C. This empire at the date mentioned had reached a high state of development, and a little later, at its zenith, was as great as Egypt, Greece and Rome at theirs. Our historical starting-point, therefore, should really be at least many centuries earlier than 4500 B.C.

There is in the British Museum a baked clay tablet, being a memorial of E-an-na-du, Governor of Shirpula, 4500 B.C.

One of the most important evidences of the civilization of Babylon is the monument discovered at Susa, on which is inscribed the Code of Laws enacted by Hammurabi, who reigned in Babylon from 2285 to 2242 B.C. This code, among others, contains the following:—

"If the merchant has given to the agent corn, wool, oil, or any sort of goods to traffic with, the agent shall take the price and hand over to the merchant; the agent shall take a sealed memorandum of the price which he shall give to the merchant."

"If an agent has forgotten and has not taken a sealed memorandum of the money he has given to the merchant, money that is not sealed for he shall not put in his accounts."

The following is a copy of a clay tablet letter written by King Hammurabi as follows:—

"To Sin-idinnam, say, thus saith Hammurabi:—

"Immediately upon receipt of this letter have all the keepers of thy temple and Ardi-shmash, the son of Eriban, the shepherd of the Shamas Temple, come before thee, together with their complete account. Send them to Babylon to give their account. Let them ride night and day. Within two days they should be in Babylon."

These ancient tablets were formed of clay, and were inscribed with a sharp instrument while the clay was soft, thereafter being baked in the sun. Some of these tablets are small, and had envelopes or cases, also of clay, into which they slipped. From these records it has been ascertained that Ashur-hani-pal, King of Assyria about 1000 B.C., had a library of ten thousand volumes, numbered, shelved, classified and cared for by a librarian.

A large number of business records have come down to us from the period 2600 B.C., dealing with sales, lettering, hiring, money-lending and partnerships. In our own library in Vancouver there is



an excellent series of photographic copies of some of these ancient tablets, one (650 B.C.) recording the loan of money at 20 per cent. interest, from which we can gather that the present century is not the only period in history to suffer from money-lenders.

Among these ancient tablets are the records of two banking and money-lending firms, the Sons of Egibi, of Babylon, and Marashu Sons of Nippur. The firm of Egibi carried on business from an unknown period to about 400 B.C. Some of these tablets contain rough memoranda, the more important items being carefully re-copied, with full details, upon larger tablets. There also appear on them nailmarks, considered man's natural seal, similar to the finger-point impression used by the Japanese at the present time.

The excavations at Nippur carried out by the expedition of the University of Pennsylvania revealed 730 tablets recording the transactions of Marashu Sons, who traded during the reigns of Artaxerxes First and Darius Second of Persia, 464 to 405 B.C.

From other records there are certificates of delivery which show how the raw materials were delivered into the storehouses, how long the laborers worked, and what wages they received. It has also been stated that from the Temple archives of the Sun God have been derived "a great mass of tablets, which, after the fashion of commercial bookkeeping, record the temple revenues in money and other commodities, the expenses in salaries, wages, etc., and the investment and employment of the temple property in loans, real estate, rents, etc."

An authority has stated that in "ancient Egypt and elsewhere in early times the use of money was unknown, and the fiscal receipts and payments were in kind." No date is indicated as to when money was first used, but the Babylonians and Assyrians had a measure called a mina and shekel of silver, and the "heavy and light talent," the heavy talent being equal to approximately 6,000 drachms.

An authority of the British Museum has stated that "There is no reason for thinking that the Babylonians and Assyrians managed their money affairs as we do. There are many contract tablets known and hundreds of records of commercial transactions, but I know of none which could be considered as accounts in the modern sense of the word."

Egyptian history appears to date back to a period similar to that of Babylon, and quite a considerable amount of information is available as to the administration of the finances of the temples and government of Egypt. The central Department of Finance was called the "House of Silver of the Treasury," and employed superintendents,

deputy superintendents and scribes of the House of Silver, all under the control of a lord high treasurer called, "The Governor of All that Exists or that Does Not Exist," under whom there was also a "Treasurer of the God."

As showing the minuteness with which these records were kept, there are some papyri in Greek found on the mummies of crocodiles of the period 100 B.C. which contain details of personal expenditure, such as baths, writing material, doctors' and barbers' fees, while another is the account of a dining club, giving cost per head, exclusive of wine, which is reckoned separately.

The necessity of having a check on the fidelity of the administration was apparently recognized, even in these early times, as the system then adopted appears to have been that of duplicate records, kept by different parties, which had to agree in each tablet in every particular.

While going through the reproduction of the tablets in the Vancouver library I came across a copy of the earliest form of certificate which I have seen. This was an Assyrian copper lion from the city of Nineveh about 500 B.C., with an inscription which reads, "Verified in the presence of the Supervisor of the Silver."

The administration of the finances of the Athenians shows a highly developed system of accounting. The most important office of finance was that of the "Treasurer of the Public Revenue." This office was similar to that of the British Chancellor of the Exchequer, and some of the greatest personages in Grecian history have held this office. The public accounts were controlled by checking clerks, and the accounts were scrutinized at the expiration of each office. "No person who had not rendered his account could go abroad, consecrate his goods to a god, or even dedicate a sacred offering; nor could he make a will or be adopted from one family to another."

The system of recording the state account in Rome was fairly elaborate, and the various regulations rendered fraud very difficult. Every accounting official had to render an account of his administration to his superior, and the chief minister accounted to the Emperor. With the great extension of the Roman Empire all the elaborate machinery, with its carefully devised checks and counter-checks, seems to have frequently failed on account of the lack of efficient control.

Turning our attention to Great Britain, we find that the earliest systems of accounting of which there is any record are those of the Exchequers of England and Scotland, and the oldest account which has been preserved is of the English Pipe Roll of the year 1129 to



1130 A.D. These Rolls of the Pipe, as they were called, are not accounts in the modern sense of the word, but can best be described as narrations of receipts and expenditures.

The basis of the accounting was the Domesday Book, which contained detailed records of all assets from which the Royal Revenue was received. The great Pipe Roll was compiled from the dictation of the Treasurer, and a second Roll was written out by the Chancellor's clerk. It is very interesting to follow the annual settlement of these accounts, which was as follows:—

An official summons was issued half-yearly at Easter and Michaelmas to each Sheriff, requiring him to attend at the Exchequer on a specified day to account for his revenue. At Easter the Sheriff made a payment to account in cash and received a tally therefor. The tally was a narrow shaft of wood on which notches were cut, representing pounds, shillings and pence. The tally was then spilt in two, so that each portion showed the amount recorded on the original stick, the two pieces being fitted together again at the final accounting. At Michaelmas the Sheriff had again to attend, and on this occasion had to account for the whole year's charge. This he settled partly by production of his tally, partly by vouchers and the balance in cash or specie.

The final settlement is even more interesting, but before describing it I should explain, perhaps, that the present system of Arabic numerals was not in use.

The numerals we now generally use are known as Arabic numerals, because they were borrowed in the twelfth century from the Arabic scholars of Spain. In the eighth century they reached Bagdad from India, probably being brought by the Indian Ambassador in 773 A.D. along with the astronomical tables. In India the principle of varying the value of the numeral according to its position (as 10, 100, 1000) seems to have been introduced as early as 500 A.D. The figures themselves are at least some centuries earlier, being descended from what are known as the Indian cave numerals.

The numerals in use at the time of the Pipe Rolls were the Roman numerals, and there were no regular money columns. This made it very difficult to add and balance the Rolls, and the system adopted of settling the accounting was on the famous "Exchequer Table."

This table was covered with a russet cloth, which was marked in squares by intersecting lines, probably in chalk, the columns of which represented money columns. The Sheriff having appeared, the various sums for which he had to account were read out from



the Great Roll. As each item was announced the calculator arranged money or counters representing the amount in the appropriate columns on the side of the table farthest from him. Below these he then similarly arranged the Sheriff's various credits, subtracted the one from the other, and brought out the balance, if any. The tallies produced by the Sheriff were carefully compared with the foils in the Exchequer, the discovery of any flaw being followed by the imprisonment of the fraudulent Sheriff.

The system of audit appears to have been the comparing of the Rolls kept by the different parties already referred to, the audit mark of "pbt," representing "probatum," being added to each item as compared.

The advisability of having accounts audited was widely recognized in Britain from the fifteenth century onwards, and it is humorous to read some of the references thereto and some of the docquets by the auditors.

In the Book of Ordinances of the Worshipful Company of Pewterers, London, of the year 1564 the following appears:—

**"Order for ye awdytors.**

"Also it is agreed that there shal be foure Awdytours chosen every yeare to awdit the Crafts accounts and they shall parvse it and search it that it be perfect. And also to accompt it correct it and allowe it so that they make an ende of the awdet thereof between Mighelmas and Christmas yearely and if defaute be made of ffenishings hereof before Christmas yearly every one one of the saide Awdytours shall paye to the Crafts' boxe vjs. vii jd a pece."

As was stated in the book from which I took this extract, the "Awdytours parvsted and searched" the accounts to some purpose, since the following items were disallowed:—

"Itm spent at the Ale howse by the Hall amonge the wardens and dyuers of the Company ye xxvij daye July iijd.

"Itm the therde daye of August spent at ye Ale howse ijd.

"Itm spent at an Ale howse at yelde Hall when mr Curteyes prentyce was made free iijd."

Later the following item does not meet with the approval of the Auditors:—

"Itm where it is acustome that every weding that is kept in the Hall ought to paye iijjs. iiijd. we fynd to lytle by xvjd."

Appended to the accounts of the same Company for the year 1574-1575 the following docquet appears:—

"We thinke it not reasonable that these accomptants be allowed

that two shillings wch they saie was loste by an Angell, taken of John God and his man, by waie of ffyne ijs.

"Nor that any allowance shal be made them, for the some of xxs. wch they saie was spent by Thomas Hawks and Roberte Newes in Torneyinge to ypswitche vnles the companie thinck, of it otherwise, for to what ende, that Torney was made, or of any proffyte, that came of it, we knowe nothinge, as yet xxs."

Here is the epitaph inscribed on a tomb in England of an Auditor who apparently had the same troubles as we have, although the epitaph probably refers to troubles of another nature:—

"Here lyeth part of Richard Bowle who faithfully served divers great lordes as auditor on Earth but above all hee prepared himselfe to give up his account to the Lord of Heaven, and now hath his quietus est, and rests from his torments and labours. He was a lover of God's ministers, a father of God's poore, a help to all God's people, and beleeves that his flesh, which with the Sovle was long tormented, shall with the same Sovle be aeternally glorified.

"He died the 16th of December 1626 and of his age 77."

Having rapidly traced the development of the form of accounts through its various earliest stages, including the introduction of money columns and the Arabic numerals, let us take up shortly the form of bookkeeping now universally adopted.

The art of bookkeeping is not a discovery, but has developed by continued effort to meet the necessities of trade. The forms of accounts show gradual improvement all over Europe in the system of grouping the accounts until Double Entry is first met with in Genoa in the year 1340 in the accounts of the stewards of the local authority.

Following on these books in Genoa, we find those which are preserved in Venice. They are of special interest to us as being the books of traders, and from them it is evident that the "Method of Venice," which afterwards became so famous, was beginning to be built up.

We next have a ledger of Soranzo and Bros., merchants, for the year 1416, which has been accurately kept. Every debit has a corresponding credit, and the goods accounts are closed with a Profit and Loss. The idea of combining the Profit and Loss items and transferring them to Capital Account had not developed.

The possibility of being able to balance the books does not appear to have been always recognized, the merchant relying on careful comparisons for the detection of errors. We have, however, instances where the ledgers were balanced when full. It has to be understood



that the numerals used were the Roman numerals, and probably the difficulty in easily adding these may have been the reason. The Roman numerals were used to avoid fraudulent alterations; in fact, we find in 1299 the Guild of Bill Changers of Florence forbidding the use of the "new" (Arabic) figures, while as late as 1520 the municipality of Freiburg refused to accept entries as legal proof of debt unless they were made in Roman figures or written in words.

The first treatise on Bookkeeping was by Incas Patiolus, a monk, at Venice in 1494. This was a work on mathematics, but contained thirty-six chapters on bookkeeping, and seems to have dealt fully with the subject.

Patiolus states that the first step is to make a complete inventory of one's possessions and of one's liabilities. This inventory, he observes, must be made as of the same day. Having completed the inventory, the merchant is advised to keep three books, called Memorial, Journal and Ledger.

In the Memorial everything was entered as it occurred—sales, purchases and all other transactions. The use of this book will be understood when the confused state of the coinage is considered. In the Middle Ages there was no uniformity of monetary systems, and different states, and even different towns, had their own mint. Including tokens, there was money in circulation which might be accepted in one street and looked upon with suspicion in another. This state of affairs, coupled with debased and clipped coins, made the bookkeeper's work difficult.

The bookkeeper's first duty, therefore, was to write up the Memorial Book and convert each item to the monetary unit in which his accounts were kept. Thereafter each transaction was entered in the Journal, from which the postings to the Ledger were made.

Regarding the use of a single book of original entry, Edward Jones, as late as 1796, in his "English Bookkeeping," advises such a book, and was averse to even a separate cash book.

The instructions of Patiolus as to the checking of the postings are of very great interest, and, at the risk of perhaps tiring you, I would like to read his directions, which are very quaint and to the point:—

"And for the more expedition and cleerness yee shall keepe this order, which is, that yee take and assigne one of your fellowes to helpe you. For it were much labour and over tedious to one alone to examin all that belongeth unto this acte. Wherefore for the more speede first deliver unto your fellow the Journall and holde your selfe the Leager. Then request your fellow that hath the Journall to



begin with the first parcell of the said Journall, and that he tell you the name of the thing and in what leafe of the Leager it standeth, in Debitor or Creditor, so that you may perceive to what leafe he sendeth you. And when you have found the parcell, by the shewing of him that hath the Journall, then marke and make a token in the said Leager in the same parcell with a pricke upon the pound, thus, lib.\* or some other signe, so it be no blemish in the book; that done, say to him that hath the Journall, that he also make a pricke or signe of your concordance. And beware that none of you without consent of the other marke any parcell, by reason whereof might grow grievous labours to reforme the correction again of the same. For the parcells discreetly perused and so marked testifyeth a due examination. . . .

"Then proceede ye forth in your worke by and by, and by examining your Journall and Leager together, of all the parcells, both Debtors and Creditors, by the which doing thoroughly examined ye shall perceiue and find if that your said Leager be perfectly governed and compiled or not. And note you also that every one parcell in your Journall must for the concordance have two prickes because it ought to accorde with two parcells in the Leager, one in dare (debit) the othere in habere (credit). Then these bookes thus truly and thoroughly examined, if there remain any superfluous parcells not pricked in the Leager, then it presupposeth an error in the Leager."

After the publication of the work by Patiolus several on the same subject by other authors appeared in Venice, Germany and Holland, until in 1543 the first treatise which introduced Italian bookkeeping into England was issued, being a translation of the work of Patiolus by Hugh Oldecastle, a teacher of arithmetic and bookkeeping in London. The system outlined therein continued in use in Britain, with slight improvements from time to time, until the close of the eighteenth century, when Edward Thomas Jones, an accountant in Bristol, issued his "English System of Bookkeeping by Single or Double Entry."

This work, however, proved a complete failure, but, owing to the immense publicity given it, accountants' attention was turned to a reconsideration of the whole subject, and through this reconsideration the basis of the system universally adopted at the present time was evolved .

THE DOMINION BANKRUPTCY ACT\*

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BY OSLER WADE, F.C.A.

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IT is not a breach of any confidence to say that the members who were instrumental in drafting and fathering through the House of Commons the Canadian Bankruptcy Act are of the opinion that it is an exceptionally important piece of legislation, and possibly superior to that of any other country affecting Bankruptcy affairs. I believe, also, when the rank and file in the business community become generally familiar with the provisions of the Act that this opinion will be well established. It is true there are some wrinkles to be ironed out, and I have heard it said the Act will not replace the former provincial statutes affecting Assignments and Preferences. A reference to *Cushing vs. Dupuy*, 5 A.P.B., Cas. 409, 49 L.J.P.C., 63, and to *Attorney-General for Ontario vs. Attorney-General for the Dominion*, 1894, A.C. 189, 63 L.J.P.C. 59, should, however, remove any doubts in that respect.

The administration of this Act is provided for through the medium of authorized Trustees, Registrars, Bankruptcy Courts, Districts and Estate Inspectors.

Each Province constitutes a Bankruptcy District, over which a Bankruptcy Court presides. Each district may be further subdivided into divisions (64-3). Registrars are particularly in charge of the filing of bankruptcy records and the passing upon cases where there is no opposition. Trustees are responsible, under heavy bonds, for the general conduct of affairs, but which, for the most part, is limited to permission in writing from the Inspectors.

For the purposes of the Act an insolvent person includes a partnership or incorporated company. The former may act by any of its members, and the latter by any of its officers, authorized under seal. (S. 85.)

Any Winding-up Order issued without the approval of a Bankruptcy Judge, or any assignment other than under the provisions of this Act, is null and void, as against liabilities contracted after July 1, 1920. (S. 2, ss. 0, and S. 9.)

In the words of one writer, the Act may be said to cover four different remedies for business troubles:—

1. A voluntary assignment to an authorized trustee.

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\*Address delivered before the Chartered Accountants Students' Association at Toronto, January 20th, 1921.

2. A compulsory liquidation on the petition of a creditor.
3. A composition.
4. An extension or scheme of arrangement.

I believe the provision for a voluntary assignment, the conditional elimination of the Winding-up Act, and the reasons laid down for refusing a discharge will mean hereafter very substantial dividends from insolvent estates, and that the more economical proceedings under a voluntary liquidation will predominate.

A discharge may be refused if:—

A debtor fails to keep books.

Carries on business after knowing himself to be insolvent.

If the assets are not sufficient to pay fifty cents on the dollar.

If the bankruptcy is brought about by gambling.

If he is unable to explain losses.

If he has given any preferences.

If he has put any creditor to the expense of a frivolous defence to an action, etc.

In this connection it appears quite obvious that the honest debtor, when he finds himself bankrupt and makes a voluntary assignment, will encounter less difficulty in securing a discharge than the debtor who forces creditors to the expense of securing an Order in Bankruptcy, and that debtors will generally guard against any of the above offences.

The well-defined policy laid down in the case of a debtor wishing to compromise or extend his liabilities removes the old difficulties in this connection, places all the facts before the creditor at his office, and enables the creditor to vote upon the proposition without attending any meeting. The practical elimination of the powers of a Trustee and the increased responsibility placed on the Inspectors will, I believe, be welcomed by those professional liquidators having a business of magnitude, and at the same time remove the former difficulties creditors encountered with inexperienced or irresponsible Assignees.

The Trustee's powers are now practically limited to collecting accounts and admitting claims that are not disputed, and the payment of dividends to creditors.

Particular attention should be drawn to the reduction of a landlord's preference to three months only, as compared with from twelve to fifteen months' preference under the former Act; also to the elimination entirely of any claim of a husband or wife contracted after July 1, 1920, and to the elimination of any relatives' claims for wages down to a period of three months.



Special attention is also called to the necessity of all bankrupts furnishing the Authorized Trustee with a statement of affairs, certified by affidavit, as at the time of the liquidation. Likewise to the fact that the debtor must attend the first meeting of creditors; that all insurance in force at the time of an assignment or an Order in Bankruptcy is automatically transferred in favor of the Trustee without any notice to the companies; to the fact that only those creditors who have filed a claim by affidavit before the time of the first meeting of creditors are entitled to vote at such meeting. Special provision is made, eliminating entirely, in so far as the Trustee is concerned, any lien on books of account; and particular attention is also drawn to the fact that a general assignment of book accounts is null and void as against the Trustee. An assignment of accounts, to be effective, must be specific. Attention is also drawn to the fact that a severe penalty is imposed in the case of any creditor filing a false claim.

I am of the impression that certain amendments to the Act would make it more effective.

For instance, the provincial system of recording an alphabetical list of bankruptcies should be enlarged to a Dominion system, so as to be able to check up the Ontario bankrupt who later acquires property in another province. This could be accomplished from the office of the Dominion Bureau of Statistics, to which office is now forwarded a notice of each assignment and a copy of the insolvent's certified statement of affairs. I think, also, that Section 11 should be somewhat amended so as to clear up the question of whether or not it is necessary to register an assignment where real estate holdings do not constitute a part of the assets.

It is difficult to understand why chartered banks are afforded the privilege of being preferred by debtors under Section 88 of the Bank Act when all other classes of creditors are particularly excluded from receiving any preferences, to say nothing of the fact that this preference is permitted without any publication or registration of any kind whatsoever. When one merchant sells and delivers goods to another on the strength of the stock carried by the purchasing merchant, and a few days later, when an assignment is made, discovers the recent shipment is covered by a lien to the bank under Section 88, which lien has been given without any registration, it cannot be interpreted in any other manner than class legislation, detrimental to the sound credit of the country, and should be remedied. If, as Lord Desborough has recently stated in the English press, Canada will, in the near future, be one of the leading manufacturing coun-

tries in the world as a result of its natural resources and water-power, this is a factor which must be considered from the viewpoint of persons who propose investing their capital for the purpose of developing these resources .

The question as to whether or not a bank is bound by the section which renders null and void an assignment of book accounts as against the Trustee should be clearly defined. Canadian chartered banks have the free use, without any interest charge, of about \$250,000,000 in circulation notes, which, at six per cent., equals about \$15,000,000 annually, and the further use of deposits bearing interest of approximately \$1,250,000,000, on which they pay a small rate of interest, which nets them a further profit of approximately \$43,000,000. These items alone should be ample preference, recognition, or whatever it may be called, for any advantage they offer the commercial community, if that is the argument. This velvet, aggregating almost \$60,000,000 annually, must be paid for by the Canadian public, and is the best reason in the world for eliminating entirely any further burden in the way of preferences under Section 88 of the Bank Act or an assignment of book accounts.

The adverse effect of class legislation on the finances of a country are well set forth by some writers when they state that strenuous demands on the part of the big interests, resisting economic forces, brought about conditions which led to the disastrous panic of 1873, following a period of inflation during the Civil War in the United States, and if there had been no Non-Partisan League, no Wheat Growers' Association, no American Cotton Growers' Association and no Live Stock Producers' Association to encourage their millions of members from the very moment prices began to fall a few months ago not to sell their products, billions of dollars in value could have been disposed of long before the present low levels, and the present situation in North Dakota and Western States never would have arisen. Notwithstanding this, these writers contend that the United States Congress has passed legislation having for its purpose the lending heavily to farmers on crops withheld from the market indefinitely, thereby postponing the evil day of adjustment; that this is a form of legislation for the exclusive benefit of the farmer, who is in no worse position than the thousands of retailers, jobbers, manufacturers and other dealers in value.

This is not a time for class legislation or partisan views. On the contrary, there must be a collaboration of all financial interests for the mutual benefit of the whole.



If banks desire security for their advances, no objection can be offered, but those securities should be registered as chattel mortgages are registered, and if the situation is not sound as a result, then the curtailment of further credit will have the effect of forcing an adjustment at a time when creditors will not suffer unnecessarily.

The Act makes no provision to proceed against officers of incorporated companies for offences against the Act.

Some provision should be made to prevent writs and other proceedings against debtors after they have made a voluntary assignment so as to be analagous with the condition when a Receiving Order has been issued.

Some consideration might be given to the question of applying for an Order in Bankruptcy without waiting to secure judgment in those special cases where the facts warrant more expeditious action.

There is no provision in the Act to follow up and prosecute fraud in small estates, and this must be remedied, as fraud in small estates is more pronounced than in larger estates.

By way of illustration, I refer to a most conspicuous case of fraud in a small estate now in my office. The total receipts are \$888, and the Act limits the Assignee's fees to \$44 and the solicitor's fees to \$88. I have been obliged to report to the Inspectors that the case should be turned over to the Attorney-General for investigation, as the Assignee and solicitors cannot be expected to go further, knowing they cannot be repaid for their services. It is quite apparent, therefore, that unless this provision in the Act is amended, these investigations and prosecutions cannot be undertaken, for the reason that neither the Trustee nor the solicitor will undertake the proceedings when it is not altogether clear that payment will be forthcoming for the services rendered. It is proper to say that the Act, as passed by the House of Commons, provided for this contingency in the way of a special application to the Court or the Inspector for an increase of fees. Unfortunately, however, this provision was struck out by the Senate when finally approved, and apparently under a misapprehension of the actual conditions as they have existed.

The duties of a Trustee under the Act have increased many fold, and necessitate making provision to keep some of the records for a period of twenty years, whereas the commissions have been retained at the old rate of five per cent. It is beyond reason to understand why the Assignee, who is responsible for the whole conduct of the liquidation, should be paid only one-half the amount allowed solicitors, whose duties are merely clerical for the most part. If the fees allowed were reversed, they would not even then be commensurate with the work done by the Assignee as compared with the solicitors.



## THE BANKRUPTCY ACT

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### Insolvent Person

An insolvent person is one who, for any reason, is unable to meet his obligations as they respectively become due, or who has ceased paying his current obligations in the ordinary course of business, or the aggregate of whose property, at a fair valuation, is not sufficient to enable payment of all his obligations. (S. 2, ss. T.)

### Acts of Bankruptcy

- (a) Executing an assignment.
  - (b) A fraudulent gift or transfer of any property.
  - (c) A transfer or charge on property which, under the Act, would be void, if adjudged a bankrupt.
  - (d) Departing or remaining from dwelling with intent to defeat creditors.
  - (e) An execution remaining unsatisfied until within four days from time fixed for sale.
  - (f) Written admission of inability to pay liabilities.
  - (g) Secreting or disposing of property with intent to defraud.
  - (h) Disposing of property contrary to the Bulk Sales Act.
- (S. 3.)

### Voluntary Assignments

A voluntary assignment may be executed to an Authorized Trustee, and any assignment of property other than to an Authorized Trustee is null and void. (S. 9.)

### Petition for Compulsory Liquidation

If an act of bankruptcy has been committed, one or more creditors may present a petition, provided the liability aggregates \$500 and has been contracted subsequent to July 1, 1920; and further provided that the act of bankruptcy has occurred within six months of the presentation of the petition. (S. 4, ss. 1 and 3; S. 8, ss. 2B.)

### Interim Receiver

Any time after the presentation of a petition the Court may appoint an Interim Receiver to take possession of and protect the assets. (S. 5.)

### Winding-up Act Not to Apply

Any Winding-up Order issued without the approval of the Bankruptcy Judge is null and void. (S. 2, ss. 0.)

### Proceedings Must Cease

Upon the making of a Receiving Order, no unsecured creditors shall commence any action or legal proceedings without permission

of the Court, and all pending actions must cease. After the presentation of a petition the Court may order pending actions to cease. (S. 6, ss. 1; S. 7, ss. 1 and 2.)

#### **An Assignment or Order takes Precedence**

An order or assignment takes precedence over all unsatisfied actions launched by unsecured creditors. (S. 11, ss. 1.)

#### **Execution Creditors**

The first execution creditor shall have a lien for his costs and the Sheriff's fees, and the Sheriff must deliver up possession on payment of the same; and if the Sheriff has realized, he must deliver up the proceeds, less these costs. (S. 11, ss. 1B, 3 and 10.)

#### **Property All Vested in Trustee**

Upon the making of a Receiving Order or an Assignment, or upon the change of a Trustee, all property passes forthwith to the Trustee without any conveyance, assignment or transfer. (S. 6, ss. 3; S. 10; S. 15, ss. 3.)

### **DEBTOR**

#### **Duties of Insolvent**

Within seven days of an order or assignment the debtor must submit to the Trustee a statement of his affairs, with various schedules, verified by affidavit. This statement should be in triplicate, one to be filed with the Dominion Statistician, another to be filed with the Registrar, and the third copy for the purposes of the Trustee. Instructions for the preparation of this statement are to be furnished by the Trustee. If the debtor is a partnership, this statement must be made out by one of the members or by the manager in charge, and in addition, each partner must submit a separate statement of his separate affairs, verified personally. Where the debtor is a corporation, the statement shall be verified by an officer of the company, having knowledge of the facts. The debtor must attend the first meeting of creditors, and submit to such examination and give such information as the meeting requires. He shall aid to the utmost of his power in the realization and distribution of his assets, and if he wilfully fails to perform the duties imposed upon him, he shall be guilty of contempt of Court, and may be punished accordingly. (S. 54, ss. 1, 3, 5 and 6, and Rule 97.)

#### **Examination of Debtor**

When an order or assignment has been made, the Trustee, upon resolution passed by the creditors or written request or resolution

## THE BANKRUPTCY ACT

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of a majority of the Inspectors, may have the debtor or any of his clerks examined under oath. The examination may be held in such Bankruptcy District as the Court may order. (S. 56, ss. 1.)

### Arrest of Debtor

If any person liable for examination has been properly served and fails to appear, or attending, refuses to make satisfactory answers or produce documents, such person is liable to arrest and committal to jail for a period not exceeding one year. (S. 56, ss. 2; S. 55, ss. A and C.)

### Bankruptcy Offences

Bankruptcy offences are to: Secrete, withhold, conceal, remove, part with, pledge or dispose of property, documents or records; conceal, destroy, mutilate, falsify, part with, alter or omit to record in any book or document; fails to report any false debt or misrepresentation, reports a fictitious loss, makes a false representation or statement. Penalty, fine and imprisonment. (S. 89; S. 95, ss. 3.)

### Contracting Debts

If an undischarged bankrupt contracts debts of \$500 or engages in business under another name without disclosing facts, he is subject to fine and imprisonment. (S. 90.)

### Books of Account to be Kept

If any person has been declared a bankrupt, assigns, or makes any arrangement with creditors, re-engages in business, and is again declared a bankrupt, etc., and has not kept books for a period of two years immediately prior to the second offence, he is liable to a fine and imprisonment. (S. 91, ss. 1 and 2.)

### Proceedings Ordered by Court

The Court may order that debtors be proceeded against for offences under the Act upon receipt of report from Trustee. (S. 93.)

## TRUSTEE—POWER AND DUTIES

### Authorized Trustees

Authorized Trustees are appointed by the Dominion Government. They must furnish a standing bond of \$15,000 and a separate bond on each estate, unless the creditors at the first meeting otherwise direct. Failing in this, a meeting must be called to appoint a new Trustee. (S. 14, ss. 1, 4, 8 and 9.)



### Advertising and Registering

The Trustee must advertise in the "Gazette" and a local newspaper a notice of the order or assignment and first meeting of creditors not less than six days prior to the date of the meeting; and every order or assignment shall be registered or filed in the Land Title Office, Land Registration Office, Registry Office or other offices wherein, according to the Statutes, deeds or other documents of title to real or immovable property ought to be deposited, registered or filed. From such registration or filing the order or assignment shall have precedence of all certificates of judgments, unsatisfied attachments, etc.

The omission to publish or register shall not invalidate the proceedings. When a new Trustee is appointed he shall gazette a notice of the appointment, and register an affidavit of such in the office of the Registrar of the Court from which the original order was issued, or in the office in which the original assignment was lodged or filed. (S. 11, ss. 4, 8, 9, 10 and 15; S. 15, ss. 3, and Rule 97.)

### Report to Dominion Statistician

When an order or assignment has been made, the Trustee shall promptly, after their receipt or preparation, file with the Dominion Statistician a true copy of:—

- (a) The notice of the receiving order or assignment and first meeting of creditors.
- (b) The certified statement of affairs prepared by the debtor.
- (c) The final dividend sheet.
- (d) Every order made by the Court on the application for discharge. (S. 24, ss. 2.)

### Notice to Creditors

The Trustee shall, within five days from the date of the order or assignment, send by registered mail to every creditor a circular calling the first meeting on a date not to be later than fifteen days after the mailing of such notice. Notices of any subsequent meetings need only be given to those creditors who have proved their debts. Meetings must be called upon written request of 25 per cent. in number of the creditors. (S. 42, ss. 2, 3 and 13.)

### Notice to Debtor

Under the forms and rules the debtor must receive notice of the first meeting, which should be despatched by registered mail. (Form 53.)

### **Sale of Patented Goods**

The Trustee may sell and dispose of any patented articles or goods, free and clear of any restrictions or limitations. If the manufacturer or vendor of such goods objects and gives to the Trustee notice in writing of such objection within five days of the Receiving Order or Assignment, such vendor shall have the right to purchase the articles at the invoice price. (S. 19, ss. 1 and 2.)

### **Royalties and Copyrights**

The Trustee has no power to dispose of property covered by copyright, without complying with the terms thereof. (S. 19, ss. 3.)

### **Protection of Trustee Upon Sale of Goods Held in Pledge**

If the Trustee should dispose of property on the premises of the debtor which is afterwards claimed by some other person, he shall not be personally liable for any loss or damages, provided he has not received notice of the facts. If any property is held by any person by way of pledge, it shall be lawful for the Trustee, after giving notice in writing, to inspect the goods and, where such notices has been given, the property must not be realized upon until the Trustee has a reasonable opportunity of inspecting the goods. (S. 22, ss. 1 and 2.)

### **Funds to be Deposited in Chartered Bank**

The Trustee shall deposit all estate funds in a chartered bank and the funds must not be used for anything other than the purposes of the estate. (S. 26, ss. 2.)

### **Reports to Creditors**

The Trustee must issue a report to creditors when asked to do so by the Inspectors. This report must show the moneys on hand, if any, and particulars of property remaining unsold. The Trustee shall be entitled to charge against the estate of the debtor, his actual disbursements in the preparation of the report. (S. 24, ss. 1, A and B.)

### **Insurance**

Unless otherwise directed in writing by the Inspectors, the Trustee shall forthwith insure all property to the full insurable value, and all insurance in force at the time of the order or assignment, shall immediately and without any notice to the companies become and be payable to the Trustee. (S. 17, ss. 3 and 4.)

### **Powers of Trustee**

The powers of a Trustee are practically limited to taking possession of the books, documents and property and giving receipts for moneys. He must secure a specific instruction in writing which must not be general, to sell property, carry on business, bring or defend actions, employ solicitors, extend credit, mortgage or pledge property, refer to arbitration, compromise disputes, or employ the debtor. If, however, the Trustee operates the business, the creditors or Inspectors may, by resolution, limit the amount of the obligations or advances to be made by the Trustee, and the Trustee shall not be under obligation to continue the business if, in his opinion, the realizable value of the assets is insufficient to fully protect him. (S. 20, ss. 1 and 2; S. 21; 27; 17, ss. 1 and 2.)

### **MEETINGS**

#### **Quorum at Meeting**

No meeting of creditors is competent to act unless there are at least three creditors present and if, within one-half hour from the time appointed for the meeting, a quorum is not present, the meeting shall be adjourned to the same day, time and place in the following week, or such time as the chairman may appoint, but which must not exceed twenty-one days from the date of the original meeting. (S. 42, ss. 6 and 7.)

#### **Minutes of Meeting**

A record must be kept of all proceedings transacted at each meeting of creditors and the minutes must be signed by the chairman. Minutes thus certified, shall be received in evidence without further proof. (S. 42, ss. 8; S. 77, ss. 1.)

#### **Voting and Proxy**

No person shall be entitled to vote at any meeting unless he has proved a debt and lodged same with the Trustee before the time appointed for the meeting. For the purposes of voting only, a secured creditor shall, unless he surrenders the security, state the value at which he assesses it and shall be entitled to vote only in respect of the balance, if any, due to him after deducting the value of the security.

For the purposes of voting only, a creditor on a Bill of Exchange, or note must first value and deduct the amount he expects to realize from every person liable therein antecedently to the debtor.

If objected to, a creditor may vote, but the chairman shall have power to admit or reject the vote, but his decision shall be subject to appeal.



## THE BANKRUPTCY ACT

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A creditor may vote either in person or by proxy deposited with the Trustee at, or before the meeting.

The Trustee shall send to each creditor with the notice of the first meeting a proxy form.

With the exception of changing a Trustee, all questions shall be decided by a majority of votes as follows:—

1. Every claim of \$ 25 and not exceeding \$ 200 ... 1 vote.
2. Every claim of 200 and not exceeding 500 ... 2 votes.
3. Every claim of 500 and not exceeding 1,000 ... 3 votes.
4. For every additional \$1,000 or fraction thereof ... 1 vote.

A corporation may vote by an authorized agent.

Excepting on the question of remuneration, the Trustee in case of a tie, shall have the casting vote. (S. 42, ss. 9, 10, 11, 12, 13, 14, 17, and 18.)

### GENERAL

#### Inspectors

At the first or a subsequent meeting of creditors there must be appointed at least one and not more than five Inspectors, and the creditors may, at any meeting, revoke such an appointment or in the case of a death, resignation, or an absence, appoint another. In the event of an equal division of opinion, at any meeting of Inspectors, the decision of any absent Inspector shall be sought to decide the issue. Failing in this, the Trustee unless it concerns himself, may cast the deciding vote. Inspectors fees include their actual and necessary travelling expenses, plus a fee ranging from two to ten dollars according to the size of the estate.

The duties of Inspectors are very important. The Trustee has no power to sell any property, carry on the business, bring or defend actions, employ a solicitor, extend credit, mortgage or pledge any property, refer to arbitration or compromise any dispute, without the written permission of the Inspectors, and this permission must not be general, but specific in each case. S. 43, ss. 1, 3, 4 and 5; S. 20, ss. 1 and 2, and Rule 119.)

#### Corporation or Partnership—Representation

A corporation may act by any of its officers authorized under seal, and a firm may act by any of its members. (S. 85.)

#### Changing Trustee

A majority in number of the creditors who hold one-half or more in amount of the proved debts of \$25 or upwards, may at any meeting substitute any other Authorized Trustee for the one named

in the order or assignment. An Authorized Trustee may be removed and another substituted for cause by the Court. When a new Trustee is appointed, he must gazette a notice of same and file affidavits as defined under the heading "Advertising and Registering." (S. 15, ss. 1, 2 and 3.)

#### **Lien on Books**

No person shall, as against the Trustee, be entitled to withhold possession of books or records or set up any lien thereon. (Rule 145.)

#### **Assignment of Book Accounts**

An assignment of book accounts is null and void against an Authorized Trustee, unless from specified debtors or under specific contracts. (S. 30.)

#### **Contributors**

Any amount due for unpaid capital is an asset of the estate, payable to the Trustee forthwith, and it is not necessary for the Trustee to make a pro rata demand or adjust rights as between contributors. The Trustee may demand payment from time to time by a personal service or by registered mail. If the contributor does not file particulars of any dispute within fifteen days from the receipt of notice, he shall not thereafter, unless by leave of the Court, be permitted to plead any grounds of defence. If a dispute of the liability is filed, within the prescribed fifteen days, the Trustee may, after the expiration of thirty days from the date of service, make application to the Court to have the matter disposed of. If no dispute is entered, the Trustee, after thirty days, may take proceedings to recover and the Court may, without notice to the contributor give judgment in favor of the Trustee. (S. 36, ss. 3, 5, 7 and 8.)

#### **Creditor May Take Action if Trustee Refuses**

If the Trustee under the direction of the creditors or Inspectors refuses or neglects to take any action, any creditor may obtain from the Court, an order to take such proceedings in the Trustee's name, upon furnishing the Trustee with an indemnity against damages. Any benefit derived from the proceedings shall, to the extent of the claim and costs, belong exclusively to the creditor. (S. 35.)

#### **Priorities**

Subject to the provisions of any Provincial or Dominion statutes, regarding the payment of taxes, public utility rates, and subject to the provisions of this Act regarding the payment of any rent, the

proceeds of any estate in distribution shall be applied as follows:

- 1.—The fees and expenses of the Trustee.
- 2.—The costs of the execution creditor.
- 3.—The wage claims.
- 4.—Payment of dividends to unsecured creditors.
- 5.—The payment of any surplus to the insolvent.

(S. 51, ss. 1 and 6.)

#### Gifts, Settlements and Preferences

Any gift or transfer of property after July 1, 1920, without consideration other than certain marriage settlements, shall be void as against the Trustee if made within one year prior to the receiving order or assignment, and shall likewise be void if made within five years of the order or assignment, unless the parties claiming under the settlement can prove that the settlor was able to pay all his debts at the time the transfer was made, without the aid of the property covered by the transfer.

Any marriage contract for the settlement of property which was not owned at the time of the marriage contract, shall be null and void as against the Trustee if the contract has not been executed at the date of the petition, until the claims of all creditors have been satisfied.

Any gift or transfer on a marriage settlement made after July 1, 1920, shall be void against the Trustee unless the person to whom the payment or transfer was made proves:—

(a) The transaction took place more than six months before the date of the order or assignment.

(b) That at the date of payment, the settlor was able to pay his debts without the aid of the property transferred.

(c) That the transfer was in pursuance of a contract to transfer property expected to come to the settlor from or on the death of a particular person named in the contract, and was made within three months after the property came into the possession of the settlor.

In the event of any such payment or transfer being declared void, the claimants shall be entitled to dividends in respect of the covenant or contract.

Any transference of property to a creditor or in trust for a creditor with a view to giving such creditor a preference, shall be deemed fraudulent and void as against the Trustee, if made within three months from the date of a receiving order or assignment, and if such transfer has the effect of giving that creditor a preference



over other creditors, it shall be presumed *prima facie* to have been made with that intent, whether or not made voluntary or under pressure.

If a person to whom such transfer has been made, has disposed of or realized on the property, the money or other proceeds whether further disposed of or not, shall be deemed the property of the Trustee, who may recover same. (S. 29, ss. 1, 2, 3 and 4; S. 31 and 33.)

#### **Solicitors' Costs**

Solicitors shall be paid out of the assets of the estate, their costs provided in a tariff under General Rules.

In all estates where the gross receipts are under \$5,000 the aggregate solicitors bill may on resolution of the Inspectors, not exceed 10 per cent. of same, and in the estates where the gross receipts exceed \$5,000 the aggregate solicitor's bill shall not exceed 5 per cent. of same. (S. 67.)

#### **Disbursements**

The Trustees commission shall not exceed 5 per cent. of the gross receipts, and the disbursements of a Trustee shall in all cases be taxed unless waived by the creditors or Inspectors. (S. 40, ss. 4.)

#### **Dividends**

Dividends must be paid whenever there is sufficient cash in hand to pay 10 per cent., or more frequently if required by the Inspectors. As soon as the final dividend sheet is prepared, the Trustee shall forward a notice of same to each creditor, noting thereon the claims that have been objected to and whether any reservation has been made theretofore, and after the expiration of fifteen days, dividend cheques may be issued. Any creditor who has not proved his debt before the declaration of any dividend shall be entitled to be paid out of any moneys for the time being, in hand, but he shall not be entitled to disturb the distribution of any dividend already declared. (S. 37, ss. 1, 2 and 3.)

#### **Service of Notices**

All notices and other documents for the service of which no special mode is directed may be sent by registered mail. (S. 83.)

#### **Unclaimed Moneys**

The Trustee shall, not later than six months after he is at liberty to pay the final dividend, pay to the Receiver General of Canada, all declared but unpaid dividends remaining in his hands. (S. 37, ss. 8.)

### Disposition of Books

The Trustee shall keep for a period of at least six years, after the payment of final dividend, all current books of record and important documents. After that time, unimportant books and documents may be destroyed, but all title papers and other important documents shall be kept for a further period of fourteen years. (Rule 110.)

### Orders of the Court

Any order made by a Court in bankruptcy in any Province shall be enforceable in the courts of all other Provinces, and each Bankruptcy Court is to be an auxiliary to the others. (S. 71, ss. 1.)

### Discharge

Any debtor may at any time after an order or assignment, apply for a discharge at his own expense, and if the application is not made until after the Trustee has paid the final dividend, he shall, before the discharge is signed, pay the Trustee such remuneration and solicitors costs as may be allowed. When applying for a discharge, the debtor shall produce to the Registrar, a certificate from the Trustee specifying the names and addresses of his creditors.

The Registrar shall, not less than twenty-eight days before the day appointed for hearing the application, give to the Trustee notice of the time and place of hearing, and the Trustee shall not less than fourteen days before the appointment, notify each creditor of same. The Trustee shall also file with the Registrar of the Court, at least three days before the day appointed for the hearing of the application, a report on the conduct and affairs of the debtor. If the debtor has been examined, the Trustee shall also file such examination and report any fact which would justify the Court in refusing a discharge.

The order of discharge must be gazetted. (S. 58, ss. 1, 2 and 3, S. 61, ss. 5; and Rule 138.)

### A Discharge May be Refused

(a) If the assets are not equal to 50 per cent. of the unsecured liabilities as interpreted by Section Sixty of the Act.

(b) If the debtor has failed to keep proper books of account.

(c) If the debtor has traded after knowing himself to be insolvent.

(d) If the debtor has failed to account for any loss.

(e) If the bankruptcy has been brought about by gambling, speculating, extravagance or neglect.

(f) If the debtor has put any creditor to unnecessary expense by frivolous defence of an action.

(g) If the debtor has, within three months of the order or assignment, brought any frivolous action.

(h) If the debtor has within three months, given any undue preference.

(i) If the debtor has within three months, incurred liabilities with a view to making his assets equal to 50c.

(j) If the debtor has on a previous occasion been adjudged bankrupt or made an assignment, composition, extension or arrangement.

(k) If the debtor has been guilty of any fraud.

An order of discharge shall not release a debtor from liability under the following: Debt due the Crown; a bail bond; breach of trust; fraud; seduction; alimony; matrimonial case; necessities of life; surety contract. (S. 59; S. 61, ss. 3.)

## CREDITORS' CLAIMS

### Debts Not Provable

Damage claims arising otherwise than by contract, promise or breach of trust. (S. 44, ss. 1.)

### Restricted Claims

The wife of a debtor, or the husband of a debtor shall not be entitled to claim any dividends for moneys loaned or debts contracted after July 1, 1920, or claim any wages, salary, or compensation for work done after July 1, 1920, until all other claims are satisfied. A father, son, daughter, mother, brother, sister, uncle or aunt of a debtor shall not be entitled to any claim by way of dividends or otherwise, for wages, after July 1, 1920, exceeding an amount equal to three months, until all other claims are satisfied. No officer, director, or shareholder of a corporation shall be entitled to claim wages after July 1, 1920, beyond an amount exceeding three months, until all other claims are satisfied. (S. 48, ss. 1, 2, 3 and 4.)

### Ranking of Claims on Different Estates

Debts owing by an individual as such or as a member of a partnership cannot rank on separate estates until all the claims of the separate estates have been fully satisfied. Where one partner of a firm is adjudged bankrupt or makes an assignment, a creditor to whom the partner is indebted jointly with the other partners, shall not receive any dividends out of the separate property of the bankrupt until all the creditors have been paid in full. (S. 28, ss. 2; S. 37, ss. 4.)



### **Damage Claims**

Damage claims arising out of contracts, promises or breaches of trust, are provable against an estate, but if the amount cannot be agreed to, the Trustee may make an application to the Court to have the amount determined. (S. 44, ss. 3; and Rule 119.)

### **Landlord**

The Trustee shall pay to the landlord in priority to all other debts, an amount not exceeding the value of the distrainable assets and not exceeding three months rent accrued due prior to the date of the order or assignment. For any additional amount, the landlord is an ordinary creditor. The landlord likewise has an ordinary claim for accelerated rent, but is not entitled to rank for any portion of the unexpired term. The Trustee may, within one month, elect to retain possession of the premises in writing, for such time as he may require and must pay rent for same, but any such payment must be credited on and deducted from any claim for accelerated rent. (S. 52, ss. 1, 2, 3, 4 and 5.)

### **Wage-Earner**

Wages have a preference for an amount not exceeding three months accrued due immediately prior to the order or assignment. (S. 51, ss. 1.)

### **Secured Claims**

If a secured creditor does not either realize or surrender his security, he shall within thirty days, or such further time as may be extended, file with the Trustee a declaration outlining full particulars of the securities and the values at which they are assessed, and is only entitled to a dividend on the balance, after deducting the values. When a security is so valued, the Trustee may at any time redeem it on payment of the assessed value. If the Trustee is dissatisfied with the value, he may require that the property be offered for sale and the amount realized substituted for the amount at which the securities were valued and this shall be treated as an amended valuation. If the Trustee has not elected to acquire the security, a creditor may at any time within two months after filing his claim, amend the valuation for cause. In such an event, the creditor shall refund any dividends that he has received that are in excess of what he was entitled to on the amendments and shall be entitled to extra dividends that he may be entitled to as a result of such an amended valuation, but he shall not be entitled to disturb any dividend declared before the date of the amendment. A creditor may at any time, by notice in writing, re-

quire the Trustee to elect whether he will or will not exercise his power of redeeming the security, or requiring it to be realized and, if within one month or such further time as may be allowed, he does not signify in writing his election, he shall not be entitled to exercise it and any interest in the property comprised in the security, shall be vested in the creditor. With this exception, a creditor shall in no case, receive more than one hundred cents on the dollar. If a secured creditor does not comply with the foregoing, he shall be excluded from all dividends. (S. 46, ss. 3, 4, 5, 6, 8, 10 and 11.)

#### Set-Off

All claims for set off shall apply in the same manner as if the debtor were plaintiff and defendant. (S. 28.)

#### Contesting Claims

When a claim is disputed, the Trustee may, upon receiving written authority, serve a notice of contestation by registered mail. If within thirty days (or whatever time may be allowed) of such service a creditor does not appeal to the Court, the disallowance is final and conclusive. The extension under this section must be applied for within thirty days. (S. 53, ss. 1; Form 51.)

#### Claims Not Filed Upon Payment of Final Dividend

Before declaring a final dividend the Trustee shall give notice by registered mail to those persons who have not filed that unless their claims are proved within a time limited by the notice, which shall be within thirty days, the estate will be closed without regard to the claims. After the expiration of the thirty days, or such further time as the Court may grant, the Trustee shall distribute the estate without regard to those claims which have not been filed. (S. 37, ss. 6 and 7, and Form 41.)

#### False Claims

A creditor filing a false claim is liable to imprisonment with hard labor. (S. 92.)

### COMPOSITIONS, EXTENSIONS AND ARRANGEMENTS

#### Compositions

At any time, a debtor may require, in writing, an Authorized Trustee to convene a meeting of the debtor's creditors for the consideration of a composition. In the case of convening such a meeting, after an order or assignment has been made, the Trustee named in such order or assignment must convene the meeting.

The debtor shall, at the time of the request, or immediately thereafter, furnish the Trustee with:—

(a) A true statement of the debtor's affairs, certified by affidavit.

## THE BANKRUPTCY ACT

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(b) The terms of the proposed composition, with particulars of securities, etc., all set out in writing, signed by the debtor.

The Trustee shall, at least ten days before the meeting, furnish each creditor with a notice of the meeting, a copy of the debtor's statement of affairs, and the proposal. If, at such meeting, a majority in number of the creditors who hold two-thirds in amount of the proved debts resolve to accept the proposal as made or amended, it shall be deemed duly accepted by the creditors, and, if approved by the Court, shall be binding on all the creditors.

Any creditor who has proved his debt may assent or dissent by letter (registered) to the Trustee prior to the meeting. If the proposal is accepted by the creditors, the Trustee shall apply to the Court for approval, and shall, not less than seven days before the hearing, send by registered mail, a notice of the application to every creditor and the debtor, and the Trustee shall file his report not less than two days before the time fixed for hearing the application.

Creditors with ten per cent. or more in amount of proved debts may request an examination of the debtor, and the Trustee shall then cause the debtor to be examined under oath before the Registrar or other officer. The testimony so taken may be read upon the application for approval, and before approving, the Court shall hear a report of the Trustee as to the terms therein, conduct of debtor, and any objections which he may have received from creditors.

A composition, when accepted and approved, shall be binding on all creditors, but shall not release the debtor from any liability for seduction, affiliation order, alimony, matrimonial case or for necessities of life.

The provisions of a composition may be enforced by the Court on the application of any interested person, and any disobedience of an order is contempt.

If default is made in the payment of any instalment due under a composition, or if it appears to the Court that the composition cannot proceed without injustice or delay to the creditors or the debtor, or that the approval was secured by fraud, the Court may annul the composition, adjudge the debtor bankrupt and make a Receiving Order.

No costs incurred by a debtor on an application to approve a composition shall be allowed out of the estate excepting the costs of the Trustee. (S. 13, ss. 1-7, 12, 13 and 14; Rules 99 and 102.)

### Extensions and Arrangements

The same procedure applies as in the case of a composition.



BUSINESS INVESTIGATIONS\*

BY GEORGE EDWARDS, F.C.A.

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THE Institute examination, so designated, is intended to test the candidates' capacity for critical analysis of business propositions. It may be well at the outset to indicate in a general way the distinction between an audit and a business investigation.

Auditing has a twofold purpose in view—1st, to give the necessary assurance to the shareholders or partners that their business has been carried on honestly, and 2nd, to certify to the result in the form of a Balance Sheet and a Revenue Account. A business investigation may, but rarely does, involve the question of the integrity of the directors or the employees, but it will always include a critical review of the Balance Sheets for one or more business periods. An Audit for the purposes of an annual meeting is frequently influenced by considerations of policy, with which the Auditor can have nothing to do. He is required at times to subordinate his own inherent sense of what is equitable or expedient to the limitations which may be imposed upon him by Statute or decisions of Courts of Law. A business investigation is not a Statutory proceeding nor may an accountant's conclusions take account of limitations of any sort. The investigator has a free hand, and his conclusions will be his own, to arrive at which, he may cut to the bone and disregard the preferences of any class of persons. His figures need not agree with the books if he finds it necessary to differ with the record. Assets on the books which are there in contravention of sound business principles he may cut out. Assets that have been systematically undervalued, whether from considerations of mere prudence or from a desire to conceal facts, may be restored to what he believes to be their rightful status, and their bearing upon the profits clearly stated.

The most usual form of business investigation is that which calls for information to enable the investor to judge as to the advisability of investing with, 1st, safety to his capital, and 2nd, prospects of profit. Many phases of the situation call for attention and it is not the accountant alone whose judgment is to be relied upon for counsel and advice. The accountant is, however, generally the medium

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\*Address before Chartered Accountants Students' Association, Toronto, February 10th, 1921.

through whom the expert judgment of others finds its way to the investor, and it is the accountant whose prospective requires to be clear and well defined, so that the facts coming within his range may be marshalled in proper order and relation to one another.

The first step will be to verify the Balance Sheets for the purpose of assuring himself that all the operations of the business are within view. With the general or outstanding features before him, the investigation will proceed with more detail. Following the line of inquiry which discovers in the first place the general accuracy of his information, his quest becomes a general ramble in all directions to discover weak spots by probing this detail and that, and applying such tests as his training and experience may suggest. When particular accuracy as well as general accuracy has been ascertained, the next step will be to look for omissions, for not infrequently the information that is not afforded by the concrete evidence of the Balance Sheets and Books is the information of greatest value.

### Percentage Tests

One of the most valuable tests that can be applied to accounts purporting to be an exhibit of operations for a series of years is that of applying percentages throughout to the various classes of Revenue and Expenditure to be found in the record.

A business may be pronounced a stable one if the percentages are reasonably constant over a term of years. If on the other hand the percentages are erratic, or show undue fluctuations, there is need to determine the conditions which give rise to such variations. In highly developed organizations the study of percentage comparisons is the method adopted for the diagnosis of business ailments which, if unchecked, may lead to loss of profits and an impairment of goodwill or earning power. The normal condition comes to be so well defined that even slight variations are indicative of trouble somewhere, and an inquiry takes place.

### Inventories

The importance of correct inventories in a business investigation should also be borne in mind. In an audit of a company's affairs under the provisions of the Companies' Act an absolutely accurate inventory is a matter of almost secondary consequence, if the company has ample reserves and is not working overtime to earn dividends for the stockholders. An over or under estimate will be corrected by the next following inventory in most cases, and if a comfortable working margin or profit and loss balance has been maintained the situation adjusts itself.

Take, however, the case of that same business which the proprietors wish or are invited to sell. It is usual in such an event for the middleman or promotor to come in, in the first instance as a purchaser, and afterwards as the vendor to the public at an enhanced price. Without dwelling here upon the mental processes by which he arrives at the proper figure at which first to buy and second to sell, it may be taken for granted that he will expect the public to buy on the basis of sustained maximum earning power, and he expresses this condition in the form of recapitalization. According to the measure of his opportunity the capital will represent a figure upon which the maintenance of a reasonable dividend will call for the highest form of exertion, without any margin whatever for contingencies.

Accurate inventories, hitherto a matter of secondary consequence, now become of prime importance and may be the determining factors in the profit estimates which in turn will afford a true indication to the investor of the investment value of the proposition. Therefore the inventories at the beginning and termination of the various profit periods must be examined, compared, tested with invoices wherever possible and with cost records, and abnormal conditions of any kind noted.

### Work in Progress

Work in progress at any year end, and therefore not marketable, must of course be taken at cost as nearly as can be ascertained. But what is cost? Labor and materials of course. Factory costs such as power, light, insurance and the many expenses incidental to any factory operation—also without doubt. But beyond that the elements proper to be considered as costs may call for the exercise of courage and judgment. If the factory runs on stock lines, that is to say, articles made upon the expectation that they will find a sale in due course, the factors mentioned will be all that can properly be included in an estimate of cost.

Take, however, factories which are running upon orders previously taken and in respect of which the selling expenses have been paid. Or the business of a contractor who has in hand large unfinished contracts as to which it can be stated with certainty that they will yield substantial profits upon completion, it seems scarcely more than fair that some of this prospective profit should be allowed as earned, and included in the valuation of work in progress. The profit in any business is derived from sales. When, therefore, in such a case can the sale be said to have taken place? There is no formula by which this question can be answered. It is a case for investiga-



tion and the application of common sense. If the candidate by his answer to a question of this character shows that his line of reasoning is logical, he will get credit for it whether his views coincide with those of the Examiner or not.

### Costing of Inventories

There are two general principles—and perhaps more—applicable to the determination of costs, and these are applicable according to the nature of the case.

Ascertaining the cost by compilation is the plan applicable to products which result from the assembling of *various* raw materials and adding in the labor and other charges, the result being the cost of a given article of merchandise.

Ascertaining the cost by reference to its selling value is the plan applicable to commodities which result from the conversion of one line of raw material into many finished lines of merchandise. Instances of this class would be oil refineries, chemical plants, packing establishments, crude petroleum gives as many as thirty grades of oil, paraffin and grease, the selling values of which vary widely. Hardwood produces alcóhol, charcoal and acetates which have widely differing values and measures of computation. Our friend the hog would wonder whether he was a profit or a loss if he could know the public estimate upon his component parts. It would be obviously absurd to say that his knuckles had cost as much as his bacon or ham.

To determine the cost of merchandise of widely differing commercial value derived from a common source it is necessary to inventory at selling price and deduct the rate of gross profit per cent., which by a test or series of tests will result from the sale of the contents of a barrel of petroleum, or a cord of hardwood, or an average hog. In a well organized plant in this class, there will be available data from which cost estimates can be averaged and corrected until the record from year to year will show remarkably slight variations.

### Accounts, Credits

The business investigation made for the purpose of selling to the public renders necessary a sound method of determining the values of book accounts. Several considerations arise. First—assuming that nothing need be written off for bad debts, what is the net present value of the Accounts collectible upon the books at the close of any profit period. It has been customary to dismiss this subject off hand by allowing accounts at their face value. Obviously

these accounts however, cannot be worth 100 per cent. for some will have terms of credit to run with perhaps the alternative of a discount for prompt payment. Furthermore these accounts will not collect themselves. Some labor and trouble is involved in realizing upon them and not infrequently rebates and deductions from various causes have to be made. To ignore the obvious can hardly be commendable, and a Collection Reserve based upon the average cost of the Collection Department per cent.—including of course the average discount per cent. on outstandings—should be set aside. Bad Debts, however, will occur and every business must face this contingency. When the investigation is into the affairs of a business which has used ordinary foresight in dealing with this question, it will not be a difficult matter to ascertain whether losses have been amply provided for. It, however, happens that managers and others connected with the collections are very tenacious in their view that debts should be classed as good because they have not been given up as bad. There some judgment requires to be exercised. The plan which presents the maximum of advantage is the average method. The losses of one year will probably be written off during the following year. The amount written off during 1920 will, subject to special or exceptional circumstances, be the losses sustained during 1919. If these losses are so written off each year amount to say  $1\frac{1}{2}$  per cent. of the volume of business done in the years immediately preceding, a reserve of  $1\frac{1}{2}$  per cent. on the sales for 1920 will usually be ample provision for further losses, though some slight further provision is advisable if trade conditions are below the average.

The examination of individual balances and an effort to classify as good, doubtful or bad, is less effective as opinions upon this account or that will differ, and the accountants' conclusions are less effective as opinions upon this account or that will differ, and the accountants' conclusions are less convincing to the interests concerned. It is perhaps opportune to remark here that an accountant's report like the proverbial chain is just as strong as its weakest link—if reports can be said to have links. In estimating bad debts or anything less, the plan must be thoroughly practical.

### Fixed Assets

Perhaps there is no more contentious feature involved in a business investigation than the determination of the value of fixed assets, and the bearing such basis of valuation may have upon the profits or earnings of the company.

Every accountant knows that the question of depreciation and wear and tear are very debateable questions indeed. Theoretically.



buildings, machinery and equipment deteriorate. In practice very few owners of such assets will admit that their property is worth less than when it was put there. They will point out that its efficiency as an earning power is unimpaired, and in some specialties, a steam engine for instance, that it is worth much more than when new. When we know that fiddles and many other things constantly increase in value either after or in consequence of constant use, it seems futile to cling to mere theories. The owner may have said this to himself so often that he may have become to believe it, or his convictions may indeed have substantial foundation in fact.

Assuming that the fixed assets, buildings, machinery and equipment are not in danger of becoming obsolete or uneconomical, the question of deterioration from the point of view of its value as an asset is not of first importance, as its value lies in its earning power. This relates to all fixed assets, and probably explains the distinction in the legal mind between capital loss and income loss, the point being that notwithstanding the admittedly impaired value of the fixed or capital assets, such impairment need not be made good out of profits, but the shareholders are entitled to receive the profits which are earned by whatever is left—in point of value—of such capital assets.

In cases of this sort the most that the business investigator can do, is to state whether the profits are ascertained with or without allowances having been made for deterioration. Some questions admit of ready adjudication, as for instance when a machine or other integral part of a plant is sold. The deduction will be the original book value of the item plus installation, etc., and not the price realized. If, however, regular reserves for depreciation have been set aside, the deduction need not be more than the amount realized—the balance of the original cost being charged against the reserve.

Moveable equipment such as tools, horses and wagons, office furniture and fixtures, though not always fixed in one sense are always fixed assets, the determining consideration being whether they have been bought to sell again or brought to use. Under this classification real estate—if held as a commodity—is strange to say, a floating or circulating asset—otherwise—merchandise. This, however, is a digression. Fixed assets which have a value as units, and are not to any extent dependant upon their place as part of a complete working plant—should whenever possible be inventoried like merchandise, and the loss, if any, charged to profit and loss, or some account which will eventually be carried there. Failing an inventory then a provision for depreciation seems hardly to offer ground for objection.



In our large cities the real estate upon which manufacturing plants are located have acquired an added value, otherwise increment, by reason of the price which adjoining real estate will bring in the open market. Such added values are deemed by owners to be an offset to deterioration in buildings or machinery. It is difficult, however, to understand how this can be so. It must be remembered that higher real estate values will result in a lower rate of net earnings having regard to the larger capital thus invested and it is an old saying and a true one that you cannot eat your cake and have it too. In this feature of business investigation therefore it would seem to be the duty of the accountant to point out the relation of earnings to capital employed, at both its old and its new valuation.

### Goodwill

This item is seldom ascertained by valuation according to a scientific rule or method, and in a business investigation the accountant will not probably be asked for his opinion. The promoter will find his point of view very elastic indeed according to the stage his investigation has reached. As a buyer his views will hardly coincide with his beliefs as a vendor. He will tell you that what he wishes to buy cannot be valued at too little whereas what he wishes to sell will be worth all he can get for it. Goodwill must, however, at times come in for review. A business being investigated may have paid cash for the goodwill in a patent right or franchise, which to that extent must be regarded as capital assets, though intangible, and must be taken into account in determining the earning power. When two or more business propositions are being investigated for the purpose of bringing about an amalgamation it may fall to the lot of the accountant to elaborate his views upon the relative values of such goodwill items, so that the exchange of new shares for old in each case may leave shareholders in no better and no worse position than before.

Demonstrated earning power is of course the basic consideration, but this is influenced in most cases by estimates of the probability that such earning power is likely to improve or diminish, or in the case of a patent whether after its expiry the company can hold its business without the protection previously afforded, or in the case of a franchise whether the term during which it is operative or the conditions under which it operates are favorable or otherwise. All these and similar questions are obviously beyond the scope of general instruction to a student. Each business will present its own problems.

### Liabilities

The obligations of a business are usually of three kinds: (1) The secured debts; (2) the unsecured debts; (3) the contingent and indirect liabilities. There is of course the shareholding interest sometimes called a liability but only in a restricted sense.

A business investigation should include a full inquiry into liabilities with the purpose of being able to state definitely that all the liabilities are shown, and that they are shown in their proper class.

Mortgage bonds may be of the sort that place the ordinary creditor in the position of utter helplessness in the event of unfavorable business conditions. These charges are usually a first mortgage upon the fixed assets and a second mortgage upon everything else, coming after an equally comprehensive encumbrance upon book accounts and merchandise in favor of the bankers. Whatever the facts may be their adequate disclosure is necessary. The contingent and indirect liabilities are those which the company by careful management hopes will not mature into claims or at least will involve no net loss.

Liability to deliver goods contracted for at a fixed price, the risk being in market fluctuations, liability to take deliveries of raw material, power, etc., which cannot with certainty be utilized, agency contracts, salary contracts, contracts under penalties to employ a minimum number of men and a variety of other specialties, are, or may be contingent liabilities. Indirect liabilities refer generally to discounted customers' paper where the company is not the promissor but only secondarily liable. It seems unnecessary to point out that in determining reserves for discount, collection costs, and bad debts—these should not be overlooked. Term or bonded indebtedness can usually be ascertained with little trouble. Bankers advances for all purposes and the security they hold require more care, while the unsecured or ordinary debts call for the exercise of penetration and patience to discover omissions or misstatements respecting them. Very frequently these omissions take the form of accrued items which require to be calculated, mortgage and other interest, taxes, insurance, rent, water, light, power charges, payrolls, freights, commissions, travellers expense, etc., and to discover what ought to be there requires all the suggestive faculty that the accountant has at his disposal.

### Capacity Tests

The modern manufacturing plant developed to the point at which the maximum profit can be realized is unduly sensitive to trade con-

ditions. There was the time when the factory owner would shut down his plant when orders failed him at profitable figures. That day has passed. The modern factory must be run at maximum capacity all the time in order to keep down the overhead expense ratio, and provide even to some extent for fixed charges such as bond interest, and preferred stock dividends. An interesting line of inquiry, the results of which should always be available to prospective investors, is that which seeks to determine the point below maximum production at which the enterprise will fail to produce any profit for the common stockholders, the preferred stockholders or the interest on the bonds. The modern enterprise is laid under heavy tribute by reason of the anxiety of the common stockholders not to share unduly with others their expectations of profits. The consequence is too often that they bear all or most of the loss in an even slightly unfavorable year. The earning power of the enterprise has to satisfy the demands of increased capitalization without any reserve to fall back upon.

In many industries the overhead or fixed charge may run as high as 25 or 35 per cent. on prime cost. Let us note the effect of decreased production upon the profits of a business where the net profit for shareholders is 5 per cent. after all manufacturing and selling expenses are paid, assuming sales at one million dollars, selling up to capacity. Overhead 25 per cent. on prime cost. Selling, collection and management 10 per cent. on sales. We have the following exhibit:—

Prime cost, .....	\$ 680,000
Overhead, .....	170,000
	<hr/>
	\$ 850,000
Expense, .....	100,000
Profit net, .....	50,000
	<hr/>
	\$1,000,000

Then suppose that in a bad year the sales amount to \$900,000 only. It looks like a very simple deduction to make to fix the profits at relatively less or \$45,000. What takes place, however, is likely to be as follows:—

Prime cost 10 per cent. less, .....	\$ 612,000
Overhead (no change), .....	170,000
Expense (no change), .....	100,000
Net profit, .....	18,000
	<hr/>
	\$ 900,000



In other words, a falling off of 10 per cent. in the total business results in the loss of nearly two-thirds of the net profits, materials, labor and selling prices remaining as before. The overhead charge of 25 per cent. on the maximum output means a much higher percentage when it has to be borne by the lessened volume. The selling and other expenses are not unlikely to be increased by reason of the greater effort required to obtain business. To carry this line of inquiry a little further and the profits disappear entirely and for reasons that are not apparent to the casual observer. Therefore in any business investigation where the purpose of it is to place before intending investors information which will be of real assistance, it would seem to be of the first importance to discover and set out clearly the probable effect which strenuous business conditions are likely to have upon their prospective dividends.

### Kinds of Profits

The profits of any business for the purposes of influencing investment are the profits arising from the transaction of the particular business for which the company is operated. Thus, the profit of a foundry is that which is derived from the sale of foundry products, and while there may be incidental profits such as accrue from rentals of houses, sales of real estate, income from investments or fluctuations in market values either of raw materials or of securities, these are casual in their nature and ought not to be held out as profits in the ordinary sense. They should be stated separately and commented upon as the circumstances might make expedient.

There is, however, an important exception to be made to this general rule, in the case of a company which is in whole or part a holding company having a controlling interest in other companies engaged in the same or allied lines of business. In such cases it is not only permissible but proper to show the added values which attach to the shares in these subsidiary companies by reason of the profits made by them. It must be assumed that if the business under investigation had employed its resources directly in the development of its own trade, profits would have been earned accordingly and these profits in the form of earnings in subsidiary companies are as tangible as if earned directly.

### Values of Holdings

A question closely allied to that of profits through the earnings of subsidiary companies, is the valuation of shares in subsidiary companies. It will be understood that capital is a very elastic expression. Many companies, successful ones too, have absolutely no-

thing tangible to show for their paid-up capital which is the expression of value in their case given to an earning power only. So by perfectly logical legal processes it is quite conceivable that you and I might become possessed of millions of dollars of shares in companies without very much expense to ourselves, other than to start them going in some definite direction. People with a mania for doing this sort of thing fancy themselves millionaires but they can usually be bought out at a substantial discount. It happens frequently that a business under investigation will be a substantial holder of shares in other companies and it becomes a matter for closest scrutiny whether they are carried as assets at a figure warranted by the circumstances. To arrive at proper conclusions it may be necessary to go back to the beginning of things and discover the exact relationship between nominal and intrinsic values. I remember that quite recently an instance came under my observation where the shares of a subsidiary company were carried at a certain value upon the books. A reference to the affairs of the subsidiary concern developed the curious fact that its sole asset was a block of the shares of the company by which it was entirely owned. Here then was a company purchasing its own shares by means of a separate entity thereby evading the statute. It may be seen that if this procedure is legally sound, it may go to the length of buying up its entire capital from its shareholders, borrowing for the purpose and taking up stock in the subsidiary concern to the extent required. Each company then holds the shares of the other, the stockholders have their money in their pockets and the creditors would have to take what was left—if anything. The point I emphasize is the necessity for getting to the core of things.

Concluding my remarks for this evening, I desire to point out what must be indeed quite obvious to you all, that I have dealt very lightly with a topic of this importance. It has been manifestly impossible, within the time allotted to deal with many special phases of business investigation. These must be reserved for another occasion.

## BUSINESS PROFITS WAR TAX

### BUSINESS PROFITS WAR TAX

#### Summary of Rates of Taxes Payable under Business Profits War Tax Act of 1916 and Amendments to Date

##### *On Profits of Year Ending During 1915, Tax Payable 1916*

25% of excess profits over 7% of capital of companies having \$50,000 or more capital employed in the business.

25% tax on excess over 10% of all other businesses having \$50,000 or more capital.

##### *On Profits of 1916, Tax Payable 1917*

25% of excess over 7% of capital of companies having \$50,000 or more capital.

25% on excess over 10% of capital of all other businesses having \$50,000 or more capital.

##### *On Profits of 1917, Tax Payable 1918*

Businesses having \$50,000 or more capital, and Munition Businesses of less than \$50,000 capital.

###### Incorporated Companies.

25% of excess over	7% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

###### All other businesses.

25% of excess over	10% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

##### *On Profits of 1918, Tax Payable 1919*

All Businesses, Partnership and Incorporated Companies having \$25,000 or more, but less than \$50,000 capital.

25% on excess over 10% of capital.

Businesses having \$50,000 or more capital, and Munition Businesses of less than \$50,000 capital.

###### Incorporated Companies.

25% of excess over	7% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

###### All other businesses.

25% of excess over	10% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

##### *On Profits of 1919, Tax Payable 1920*

All Businesses, Partnership and Incorporated Companies having \$25,000 or more, but less than \$50,000 capital.

25% on excess over 10% of capital.

Businesses having \$50,000 or more capital, and Munition Businesses of less than \$50,000 capital.

###### Incorporated Companies.

25% on excess over	7% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

###### All other businesses.

25% of excess over	10% up to 15% of capital.
50% " "	15% " 20% "
75% all " "	20% of capital.

##### *On Profits of 1920, Tax Payable 1921*

All Businesses, Partnership and Incorporated Companies having \$25,000 or more, but less than \$50,000 capital.

20% on excess over 10% of capital.

Incorporated Companies having \$50,000 or more capital.

20% on excess over	10% up to 15% of capital.
30% " "	15% " 20% "
50% " "	20% " 30% "
60% all " "	30% of capital.

(See text of Amendment 1920 published in July issue).



## DOMINION INCOME TAX

### Summary of Rates of Taxes Payable under Income War Tax Act of 1917 and Amendments to Date

#### *Income of 1917, Tax Payable 1918*

4% Normal Tax on excess over \$1,500 of single persons, or over \$3,000 of married persons, as well as:—

2% on excess over	\$ 6,000 up to \$	10,000
5% " "	10,000 "	20,000
8% " "	20,000 "	30,000
10% " "	30,000 "	50,000
15% " "	50,000 "	100,000
25% " "	100,000	

Companies pay 4% Normal Tax only on excess over \$3,000.

#### *Income of 1918, Tax Payable 1919*

2% Normal Tax on excess over 1,000 up to \$1,500, and

4% on all excess over \$1,500 of single persons,

2% Normal Tax on excess over \$2,000 up to \$3,000, and

4% on all excess over \$3,000 of married persons as well as:—

2% on excess over	\$ 6,000 up to \$	10,000
5% " "	10,000 "	20,000
8% " "	20,000 "	30,000
10% " "	30,000 "	50,000
15% " "	50,000 "	75,000
20% " "	75,000 "	100,000
25% " "	100,000 "	200,000
30% " "	200,000 "	400,000
35% " "	400,000 "	600,000
40% " "	600,000 "	800,000
45% " "	800,000 "	1,000,000
50% " "	1,000,000	

And in addition to above.

5% of tax on excess Income over	\$ 6,000 up to \$	10,000
10% " "	10,000 "	100,000
15% " "	100,000 "	200,000
35% " "	200,000	

Companies pay 6% Normal Tax only on excess over \$3,000.

#### *Income of 1919, Tax Payable 1920*

4% Normal Tax on excess over \$1,000 up to \$6,000 of single persons, or over \$2,000 of married persons, and 8% Normal Tax on all excess over \$6,000 of all persons as well as:—

1% on excess over	\$ 5,000 up to \$	6,000
2% " "	6,000 "	8,000
3% " "	8,000 "	10,000
4% " "	10,000 "	12,000

and so on 1% added for every additional \$2,000 of income up to \$100,000.

52% on excess	\$ 100,000 up to \$	150,000
55% " "	150,000 "	200,000
60% " "	200,000 "	300,000
63% " "	300,000 "	500,000
64% " "	500,000 "	1,000,000
65% " "	1,000,000	

And also 5% on the above Taxes when Income is \$5,000 or more.

Companies pay 10% Normal Tax on excess Income over \$2,000, and in addition, 5% on tax when Income is \$5,000 or more.

#### *Income of 1920, Tax Payable 1921*

Same rates as shown above for 1919, but one-fourth of the amount of tax is to be paid on filing return and balance in three bi-monthly instalments, and penalty of 10% or 50% or 100% on excess income not reported.

(See text of Amendment 1920 published in July issue).

## INCOME WAR TAX ACT AMENDED

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1920

### THE INCOME WAR TAX ACT AMENDED

#### Companies

Corporations will pay 10 per cent. on net income in excess of \$2,000, and in addition 5% on tax when income is \$5,000 or more.

#### Individuals

##### NORMAL TAX

Individuals will pay 4 per cent. upon all incomes exceeding \$1,000 up to \$6,000 in the case of unmarried persons, widows and widowers without dependent children, and upon all incomes exceeding \$2,000 up to \$6,000 in the case of all other persons.

From the Normal Tax only individuals are exempt on \$200 of income for each dependent child under eighteen years of age.

Individuals will pay 8 per cent. Normal Tax upon all excess over \$6,000.

##### SUPER TAX

Individuals, in addition to the Normal Tax, will pay a Super Tax of:—

One per cent. on income exceeding \$5,000, but not exceeding \$6,000.

Two per cent. on income exceeding \$6,000, but not exceeding \$8,000.

Three per cent. on income exceeding \$8,000, but not exceeding \$10,000.

And so on, in like manner, the Super Tax is increased by graduation 1 per cent. additional tax for every additional \$2,000 of income up to \$100,000.

Increased Super Tax rates are levied upon all incomes in excess of \$100,000.

And in addition to the Normal Tax and the Super Tax, 5 per cent. on the combined amount of the Normal and Super Taxes where the income is \$5,000 or more.

# THE CANADIAN CHARTERED ACCOUNTANT

## Amount of Tax on Incomes of 1919 and 1920

Unmarried			Married			Unmarried			Married		
Income.	Persons.	Persons.	Income.	Persons.	Persons.	Income.	Persons.	Persons.	Income.	Persons.	Persons.
\$ 1,000 .....	Exempt	Exempt	\$ 3,000 .....	\$ 80	\$ 40	\$ 3,000 .....	\$ 80	\$ 40	\$ 3,000 .....	\$ 80	\$ 40
1,100 .....	4	"	3,100 .....	84	44	3,100 .....	84	44	3,100 .....	84	44
1,200 .....	8	"	3,200 .....	88	48	3,200 .....	88	48	3,200 .....	88	48
1,300 .....	12	"	3,300 .....	92	52	3,300 .....	92	52	3,300 .....	92	52
1,400 .....	16	"	3,400 .....	96	56	3,400 .....	96	56	3,400 .....	96	56
1,500 .....	20	"	3,500 .....	100	60	3,500 .....	100	60	3,500 .....	100	60
1,600 .....	24	"	3,600 .....	104	64	3,600 .....	104	64	3,600 .....	104	64
1,700 .....	28	"	3,700 .....	108	68	3,700 .....	108	68	3,700 .....	108	68
1,800 .....	32	"	3,800 .....	112	72	3,800 .....	112	72	3,800 .....	112	72
1,900 .....	36	"	3,900 .....	116	76	3,900 .....	116	76	3,900 .....	116	76
2,000 .....	40	"	4,000 .....	120	80	4,000 .....	120	80	4,000 .....	120	80
2,100 .....	44	\$ 4	4,100 .....	124	84	4,100 .....	124	84	4,100 .....	124	84
2,200 .....	48	8	4,200 .....	128	88	4,200 .....	128	88	4,200 .....	128	88
2,300 .....	52	12	4,300 .....	132	92	4,300 .....	132	92	4,300 .....	132	92
2,400 .....	56	16	4,400 .....	136	96	4,400 .....	136	96	4,400 .....	136	96
2,500 .....	60	20	4,500 .....	140	100	4,500 .....	140	100	4,500 .....	140	100
2,600 .....	64	24	4,600 .....	144	104	4,600 .....	144	104	4,600 .....	144	104
2,700 .....	68	28	4,700 .....	148	108	4,700 .....	148	108	4,700 .....	148	108
2,800 .....	72	32	4,800 .....	152	112	4,800 .....	152	112	4,800 .....	152	112
2,900 .....	76	36	4,900 .....	156	116	4,900 .....	156	116	4,900 .....	156	116

## Married Persons

Tax on \$5,000 up to \$8,900.

NOTE.—Unmarried persons and widows and widowers without dependent children pay \$42 more than married persons on income of \$5,000 or more.

Income.		Married		Income.		Married	
		Persons.				Persons.	
\$ 5,000 .....	\$	126.00	\$ 7,000 .....	\$	283.50		
5,100 .....		131.25	7,100 .....		294.00		
5,200 .....		136.50	7,200 .....		304.50		
5,300 .....		141.75	7,300 .....		315.00		
5,400 .....		147.00	7,400 .....		325.50		
5,500 .....		152.25	7,500 .....		336.00		
5,600 .....		157.50	7,600 .....		346.50		
5,700 .....		162.75	7,700 .....		357.00		
5,800 .....		168.00	7,800 .....		367.50		
5,900 .....		173.25	7,900 .....		378.00		
6,000 .....		178.50	8,000 .....		388.50		
6,100 .....		189.00	8,100 .....		400.05		
6,200 .....		199.50	8,200 .....		411.60		
6,300 .....		210.00	8,300 .....		423.15		
6,400 .....		220.50	8,400 .....		434.70		
6,500 .....		231.00	8,500 .....		446.25		
6,600 .....		241.50	8,600 .....		457.80		
6,700 .....		252.00	8,700 .....		469.35		
6,800 .....		262.50	8,800 .....		480.90		
6,900 .....		273.00	8,900 .....		492.45		



# INCOME TAX RATES

## Married Persons

Tax on \$9,000 up to \$16,900.

Married		Married	
Income.	Persons.	Income.	Persons.
\$ 9,000 .....	\$ 504.00	\$13,000 .....	\$1,008.00
9,100 .....	515.55	13,100 .....	1,021.65
9,200 .....	527.10	13,200 .....	1,035.30
9,300 .....	538.65	13,300 .....	1,048.95
9,400 .....	550.20	13,400 .....	1,062.60
9,500 .....	561.75	13,500 .....	1,076.25
9,600 .....	573.30	13,600 .....	1,089.90
9,700 .....	584.85	13,700 .....	1,103.55
9,800 .....	596.40	13,800 .....	1,117.20
9,900 .....	607.95	13,900 .....	1,130.85
10,000 .....	619.50	14,000 .....	1,144.50
10,100 .....	632.10	14,100 .....	1,159.20
10,200 .....	644.70	14,200 .....	1,173.90
10,300 .....	657.30	14,300 .....	1,188.60
10,400 .....	669.90	14,400 .....	1,203.30
10,500 .....	682.50	14,500 .....	1,218.00
10,600 .....	695.10	14,600 .....	1,232.70
10,700 .....	707.70	14,700 .....	1,247.40
10,800 .....	720.30	14,800 .....	1,262.10
10,900 .....	732.90	14,900 .....	1,276.80
11,000 .....	745.50	15,000 .....	1,291.50
11,100 .....	758.10	15,100 .....	1,306.20
11,200 .....	770.70	15,200 .....	1,320.90
11,300 .....	783.30	15,300 .....	1,335.60
11,400 .....	795.90	15,400 .....	1,350.30
11,500 .....	808.50	15,500 .....	1,365.00
11,600 .....	821.10	15,600 .....	1,379.70
11,700 .....	833.70	15,700 .....	1,394.40
11,800 .....	846.30	15,800 .....	1,409.10
11,900 .....	858.90	15,900 .....	1,423.80
12,000 .....	871.50	16,000 .....	1,438.50
12,100 .....	885.15	16,100 .....	1,454.25
12,200 .....	898.80	16,200 .....	1,470.00
12,300 .....	912.45	16,300 .....	1,485.75
12,400 .....	926.10	16,400 .....	1,501.50
12,500 .....	939.75	16,500 .....	1,517.25
12,600 .....	953.40	16,600 .....	1,533.00
12,700 .....	967.05	16,700 .....	1,548.75
12,800 .....	980.70	16,800 .....	1,564.50
12,900 .....	994.35	16,900 .....	1,580.25

Married Persons

Tax on \$17,000 up to \$25,000.

Income.	Married Persons.	Income.	Married Persons.
\$17,000 .....	\$1,596.00	\$21,000 .....	\$2,268.00
17,100 .....	1,611.75	21,100 .....	2,285.85
17,200 .....	1,627.50	21,200 .....	2,303.70
17,300 .....	1,643.25	21,300 .....	2,321.55
17,400 .....	1,659.00	21,400 .....	2,339.40
17,500 .....	1,674.75	21,500 .....	2,357.25
17,600 .....	1,690.50	21,600 .....	2,375.10
17,700 .....	1,706.25	21,700 .....	2,392.95
17,800 .....	1,722.00	21,800 .....	2,410.80
17,900 .....	1,737.75	21,900 .....	2,428.65
18,000 .....	1,753.50	22,000 .....	2,446.50
18,100 .....	1,770.30	22,100 .....	2,465.40
18,200 .....	1,787.10	22,200 .....	2,484.30
18,300 .....	1,803.90	22,300 .....	2,503.20
18,400 .....	1,820.70	22,400 .....	2,522.10
18,500 .....	1,837.50	22,500 .....	2,541.00
18,600 .....	1,854.30	22,600 .....	2,559.90
18,700 .....	1,871.10	22,700 .....	2,578.80
18,800 .....	1,887.90	22,800 .....	2,597.70
18,900 .....	1,904.70	22,900 .....	2,616.60
19,000 .....	1,921.50	23,000 .....	2,635.50
19,100 .....	1,938.30	23,100 .....	2,654.40
19,200 .....	1,955.10	23,200 .....	2,673.30
19,300 .....	1,971.90	23,300 .....	2,692.20
19,400 .....	1,988.70	23,400 .....	2,711.10
19,500 .....	2,005.50	23,500 .....	2,730.00
19,600 .....	2,022.30	23,600 .....	2,748.90
19,700 .....	2,039.10	23,700 .....	2,767.80
19,800 .....	2,055.90	23,800 .....	2,786.70
19,900 .....	2,072.70	23,900 .....	2,805.60
20,000 .....	2,089.50	24,000 .....	2,824.50
20,100 .....	2,107.35	24,100 .....	2,844.45
20,200 .....	2,125.20	24,200 .....	2,864.40
20,300 .....	2,143.05	24,300 .....	2,884.35
20,400 .....	2,160.90	24,400 .....	2,904.30
20,500 .....	2,178.75	24,500 .....	2,924.25
20,600 .....	2,196.60	24,600 .....	2,944.20
20,700 .....	2,214.45	24,700 .....	2,964.15
20,800 .....	2,232.30	24,800 .....	2,984.10
20,900 .....	2,250.15	24,900 .....	3,004.05
		25,000 .....	3,024.00

## INCOME TAX RATES

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### Married Persons

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#### Tax on Income in Excess of \$25,000.

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NOTE.—Unmarried persons and widows and widowers without dependent children pay \$42 more than married persons on income of \$5,000 or more.

Over \$25,000 to \$26,000:

Take tax on first \$25,000—\$3,024. (See other table.) Add \$19.95 on each \$100 excess.

Over \$26,000 to \$28,000:

Take tax on first \$26,000—\$3,223.50.

Add \$21.00 on each \$100 excess.

Over \$28,000 to \$30,000:

Take tax on first \$28,000—\$3,643.50.

Add \$22.05 on each \$100 excess.

Over \$30,000 to \$32,000:

Take tax on first \$30,000—\$4,084.50.

Add \$23.10 on each \$100 excess.

Over \$32,000 to \$34,000:

Take tax on first \$32,000—\$4,546.50.

Add \$24.15 on each \$100 excess.

Over \$34,000 to \$36,000:

Take tax on first \$34,000—\$5,029.50.

Add \$25.20 on each \$100 excess.

Over \$36,000 to \$38,000:

Take tax on first \$36,000—\$5,533.50.

Add \$26.25 on each \$100 excess.

Over \$38,000 to \$40,000:

Take tax on first \$38,000—\$6,058.50.

Add \$27.30 on each \$100 excess.

Over \$40,000 to \$42,000:

Take tax on first \$40,000—\$6,604.50.

Add \$28.35 on each \$100 excess.

Over \$42,000 to \$44,000:

Take tax on first \$42,000—\$7,171.50.

Add \$29.40 on each \$100 excess.

Over \$44,000 to \$46,000:

Take tax on first \$44,000—\$7,759.50.

Add \$30.45 on each \$100 excess.

Over \$46,000 to \$48,000:

Take tax on first \$46,000—\$8,368.50.

Add \$31.50 on each \$100 excess.

Over \$48,000 to \$50,000:

Take tax on first \$48,000—\$8,998.50.

Add \$32.55 on each \$100 excess.

Over \$50,000 to \$52,000:

Take tax on first \$50,000—\$9,649.50.

Add \$33.60 on each \$100 excess.

Over \$52,000 to \$54,000:

Take tax on first \$52,000—\$10,321.50.

Add \$34.65 on each \$100 excess.

Over \$54,000 to \$56,000:

Take tax on first \$54,000—\$11,014.50.

Add \$35.70 on each \$100 excess.



Over \$56,000 to \$58,000:	Take tax on first \$56,000—\$11,728.50. Add \$36.75 on each \$100 excess.
Over \$58,000 to \$60,000:	Take tax on first \$58,000—\$12,463.50. Add \$37.80 on each \$100 excess.
Over \$60,000 to \$62,000:	Take tax on first \$60,000—\$13,219.50. Add \$38.85 on each \$100 excess.
Over \$62,000 to \$64,000:	Take tax on first \$62,000—\$13,996.50. Add \$39.90 on each \$100 excess.
Over \$64,000 to \$66,000:	Take tax on first \$64,000—\$14,794.50. Add \$40.95 on each \$100 excess.
Over \$66,000 to \$68,000:	Take tax on first \$66,000—\$15,613.50. Add \$42.00 on each \$100 excess.
Over \$68,000 to \$70,000:	Take tax on first \$68,000—\$16,453.50. Add \$43.05 on each \$100 excess.
Over \$70,000 to \$72,000:	Take tax on first \$70,000—\$17,314.50. Add \$44.10 on each \$100 excess.
Over \$72,000 to \$74,000:	Take tax on first \$72,000—\$18,196.50. Add \$45.15 on each \$100 excess.
Over \$74,000 to \$76,000:	Take tax on first \$74,000—\$19,099.50. Add \$46.20 on each \$100 excess.
Over \$76,000 to \$78,000:	Take tax on first \$76,000—\$20,023.50. Add \$47.25 on each \$100 excess.
Over \$78,000 to \$80,000:	Take tax on first \$78,000—\$20,968.50. Add \$48.30 on each \$100 excess.
Over \$80,000 to \$82,000:	Take tax on first \$80,000—\$21,934.50. Add \$49.35 on each \$100 excess.
Over \$82,000 to \$84,000:	Take tax on first \$82,000—\$22,921.50. Add \$50.40 on each \$100 excess.
Over \$84,000 to \$86,000:	Take tax on first \$84,000—\$23,929.50. Add \$51.45 on each \$100 excess.
Over \$86,000 to \$88,000:	Take tax on first \$86,000—\$24,958.50. Add \$52.50 on each \$100 excess.
Over \$88,000 to \$90,000:	Take tax on first \$88,000—\$26,008.50. Add \$53.55 on each \$100 excess.
Over \$90,000 to \$92,000:	Take tax on first \$90,000—\$27,079.50. Add \$54.60 on each \$100 excess.
Over \$92,000 to \$94,000:	Take tax on first \$92,000—\$28,171.50. Add \$55.65 on each \$100 excess.

## INCOME TAX RATES

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Over \$94,000 to \$96,000:	Take tax on first \$94,000—\$29,284.50. Add \$56.70 on each \$100 excess.
Over \$96,000 to \$98,000:	Take tax on first \$96,000—\$30,418.50. Add \$57.75 on each \$100 excess.
Over \$98,000 to \$100,000:	Take tax on first \$98,000—\$31,573.50. Add \$58.80 on each \$100 excess.
Over \$100,000 to \$150,000:	Take tax on first \$100,000—\$32,749.50. Add \$630 on each \$1000 excess.
Over \$150,000 to \$200,000:	Take tax on first \$150,000—\$64,249.50. Add \$672 on each \$1000 excess.
Over \$200,000 to \$300,000:	Take tax on first \$200,000—\$97,849.50. Add \$714 on each \$1000 excess.
Over \$300,000 to \$500,000:	Take tax on first \$300,000—\$169,249.50. Add \$745.50 on each \$1000 excess.
Over \$500,000 to \$1,000,000:	Take tax on first \$500,000—\$318,349.50. Add \$756 on each \$1000 excess.
Over \$1,000,000:	Take tax on first \$1,000,000—\$696,349.50 Add \$766.50 on each \$1000 excess.

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## WARNING!

**I**N the October, 1918 "Canadian Chartered Accountant" the profession was warned against a swindler who was at that time going through Canada borrowing money from chartered accountants in the cities and then decamping. As this swindle has been repeated in both Eastern and Western Canada within the last month, we think it desirable to once more warn the profession to be on their guard. The person referred to appears to have an intimate knowledge of the partners in firms, including their domestic affairs, etc., and tells a very plausible story in support of his urgent request for a temporary loan, usually of \$50.

THE  
CANADIAN CHARTERED ACCOUNTANT

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The Publication Committee will be pleased to receive contributions on subjects of interest. Papers which may not be deemed suitable will be returned, if desired.

All communications to be addressed to "The Canadian Chartered Accountant," 518 Continental Life Building, Toronto, Ont.

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PUBLICATION NOTICE

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THE Committee on Publications, with the approval of the Dominion Association, propose publishing the "Canadian Chartered Accountant" every two months instead of quarterly, as now, commencing with the July number. Owing to the high cost of production, the subscription price will be raised to \$2 per year, payable in advance.

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BUSINESS PROFITS AND INCOME TABLES

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COMPLYING with the request of a number of accountants, who were unable to secure extra copies of the January issue containing the tables of Rates of Taxes Payable under the Business Profits War Tax Act, 1916 and amendments, and the Income War Tax Act, 1917 and amendments, the tables are republished this issue.

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DOMINION ASSOCIATION CONVENTION, 1921

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THE Nineteenth Annual Meeting of the Dominion Association of Chartered Accountants will be held in Vancouver, B.C., on the 23rd, 24th and 25th of August next. In addition to the business meetings plans are being made for the reception and entertainment of visiting members and ladies including a full day's sight-seeing trip to the city of Victoria. A cordial invitation is extended to the members and friends, and it is hoped that a large number will arrange their holidays so that they can be present. It is desired that intending visitors notify Mr. J. B. Woodthorpe, the Secretary, 303 Winch Building, Vancouver, as early as possible. A programme of the meeting and social events will be published in the next issue.



## DOMINION BALANCE SHEET IS PREPARED IN DIFFERENT FORM

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**T**HE Dominion balance sheet submitted to the House of Commons in the public accounts for the financial year ending March 31, 1920, shows some radical departures from previous years. Instead of the cumbersome tables covering thirty or forty pages and showing in detail assets and liabilities, the balance sheet is now prepared after the manner of the balance sheets of large business corporations. It is all contained on one sheet, giving the main totals and the financial situation at a glance. The same procedure is followed in regard to ordinary revenue and expenditure. Details formerly given in the balance sheet now appear in supporting schedules.

There is a departure also in the fact that for the first time the balance sheet has been examined and certified correct by an independent firm of chartered accountants.—(Ottawa Citizen.)

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## PROPOSED PUBLIC AUDIT OF BANKS IN GREAT BRITAIN

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**A** BILL is being introduced in Parliament providing that the accounts of all banks in Great Britain be annually audited by an official appointed by the board of trade. The result of the investigations will not be published unless the board of trade deems such a course essential in the public interest. Foreign banks trading there are excluded from the operation of the bill. This is a result of the Farrows Bank failure.

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## DOMINION CORPORATIONS NOT AMENABLE TO PROVINCIAL COMPANY ACTS

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**C**ONSOLIDATED appeals concerning Dominion companies being subject to Provincial Legislation as a condition of their exercising corporate powers in the Canadian provinces was up before the Privy Council, and the appeals were allowed declaring that the provisions of the Companies Act of Ontario, Manitoba and Saskatchewan which applied to these companies were ultra vires.

Their Lordships' judgment states that these companies are not precluded by reason of not having been licensed or registered under those acts from conducting business in these provinces.

Having regard to the character of the questions raised there will be no cost either here or in the courts below.

### **Powers Limited**

Among the points made are the power of the provinces to legislate for incorporation of companies which is limited to companies with provincial objects. No express power is conferred in the British North America Act to incorporate companies with powers to carry on business in every province, but such power as is covered by section 91 is conferred exclusively upon the Dominion, and enables the Canadian Parliament to incorporate companies and restrict the provinces from interfering with such companies conducting business where they choose.

### **Prevent Indirect Tax**

If the condition of taking licenses had been introduced simply to obtain payment of a direct tax for Provincial purposes, or for securing the observance of some restrictions concerning contracts, which had to be observed by the public generally, their Lordships would have been prepared to regard condition as one within the power of the province to impose, but even then it would have been requisite to see that the Provincial Legislature was not under that guise really doing something else, such as imposing indirect taxation.

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### **LANDLORD'S CLAIM FIRST**

THE owner of a store in Toronto was given judgment at Osgoode Hall for his full claim of \$175 for rent of the premises against the authorized assignee of the estate of the person who carried on business in the store. The assignee contended his expenses were a prior charge on the realized assets. Registrar Holmstead ruled under the Bankruptcy Act that the landlord's claim was preferred and came first.

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### **WOMEN NOT TO BE ADMITTED**

THE proposition to admit women to the examinations for certificates of the Canadian General Accountants' Association was voted down at the annual meeting of that body held in the National Club, Montreal. The vote was a close one, the nays winning by seventeen to fourteen. A large number of the members present, however, did not vote one way or the other.

The question of certificating women accountants was introduced by Mr. A. J. M. Petrie, retiring secretary-treasurer of the association, by the reading of a suggestion from a correspondent of Toronto.

Mr. H. K. S. Hemming, championed the cause of women accountants. "Women have naturally competent accounting ability," said Mr. Hemming. "I venture to say that most business men will agree with me that women make most efficient and capable bookkeepers. To-day, women have entered every field of endeavor and in none are they making better success than as accountants and financial clerks."

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### CORRESPONDENCE

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The Editor,

Canadian Chartered Accountant.

Dear Sir,—I have just received from Mr. A. A. Garrett, Secretary of the Incorporated Society of Accountants and Auditors (England), a letter dated 27th January, 1921, which is as follows:—

"I have pleasure in informing you that at a meeting of the Council held on 20th January, 1921, upon the motion of the President it was unanimously resolved that you be elected an Honorary member of the Society in recognition of your valuable services to the Society and the profession in the Dominion of Canada. The Council requested that I should express to you their cordial appreciation of your recent action in the protection of the Society's interests in the Dominion of Canada and their good wishes for continued health and happiness. You may be interested to know that the only existing Honorary members of the Society are Mr. Ebenezer Carr (an original member of the Society, and until recently a member of the Council), Sir James Martin, and Miss Mary Harris Smith, the Senior Woman Accountant in public practise in this country."

I do not look upon this honor as being altogether a personal one, but take it as an appreciation by the English Society of services rendered for the benefit of the profession generally.

I will thank you to note this in the next issue of the Accountant.

Yours very truly,

JOHN HYDE.

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The Editor,

Canadian Chartered Accountant.

Gentlemen,—I thought the following might be of interest.

A client of mine was interviewing an applicant for the position of bookkeeper and the applicant had made out a fine case for himself up to this point:

Employer: I suppose you know how to run a synoptic?

Applicant: Oh, yes, certainly, I can run a gasoline engine, an automobile, a gasoline yacht or anything like that.

Yours very truly,

BERT R. MASECAR, C.A.



PERSONAL

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Mr. David Roy Hutton, C.A., late of Winnipeg, has recently moved to Calgary as local representative of Messrs. Marwick, Mitchell and Company.

Mr. M. H. Walker, C.A., Edmonton, Alberta, has moved to new offices in the Imperial Bank Building.

The firm of Baldwin, Dow and Bowman, Edmonton, Alberta, announce that Mr. H. W. Baldwin, C.A., and Mr. W. Dow, C.A., have retired from the business which in future will be carried on by Mr. Kenneth Bowman, C.A., under his own name, with offices in the Jackson Building as formerly. Mr. Baldwin has moved to Toronto and Mr. Dow has returned to Scotland.

Mr. Charles R. Hegan, C.A., late Assistant General Auditor, Overseas Military Forces of Canada, announces that he has resumed practice at 24 Coleman Street, London, E.C.2, England.

Mr. W. C. Metherell, C.A., Hamilton, Ont., announces that he has opened an office at 21 Sun Life Building, where he will practise as a Chartered Accountant.

Mr. Geo. A. Welch, C.A., Ottawa, Ont., has moved his office from the Central Chambers to 300-1 Jackson Building.

Messrs. Creak, Cushing and Hodgson, Chartered Accountants, Montreal, Que., announce that they have admitted to partnership the following members of their staff, all of whom have been associated with them for a number of years, Mr. George S. Burden, C.A. (C.A. Scotland), Mr. George Hunter, Jr., C.A. (C.A. Scotland), Mr. Alfred Smibert, C.A. (C.A. Scotland). The business will be carried on as formerly under the firm name of Creak, Cushing and Hodgson.

Messrs. Touche, Niven and Company, New York, announce with regret the retirement, after many years association as a member of the firm, of Herbert C. Freeman, C.P.A., who has accepted a responsible executive appointment in industrial circles. Henry E. Mendes, C.P.A., formerly resident partner of the Cleveland office, will now become a resident partner in New York. Walter F. Vieh, C.P.A., has been appointed manager of the Cleveland office.

Mr. John F. Robins, C.A., late of New York, announces the opening of an office at 1501 Royal Bank Building, Toronto.

Mr. William Gray, C.A., for many years associated with the firm of F. C. S. Turner and Company, chartered accountants, has commenced a general auditing and accounting practice at 1107 McArthur Building, Winnipeg, under the firm name of William Gray and Company.

Mr. George Edwards, F.C.A., is on a trip to the Old Country, he is expected home about the middle of May.

Mr. James Culross Millar, C.A., Chief Auditor to the Canadian Wheat Board, late of the Contract Costs Department, Ministry of Munitions of War, London, England, and Mr. Walter James Macdonald, C.A., late Assistant Auditor to the Canadian Wheat Board and of the 44th Battalion, C.E.F. (Captain, Military Cross and Bar, Military Medal, and mentioned in despatches), beg to announce having entered into partnership under the firm name of Millar, Macdonald and Company, with offices in the Home Bank Building, 428 Main St., Winnipeg.

Mr. W. A. Tolmie, C.A., has retired from the firm of Alfred Shaw, Tolmie and Company, Vancouver, B.C., and has opened offices at 722 Standard Bank Building. Mr. Shaw will continue business at Rooms 708-9-10 Credit Foncier Building, Vancouver.

Messrs. Wm. R. Jex, Colin P. MacKintosh and David A. B. Murray, have formed a partnership as chartered accountants, with office at 307 McIntyre Block, Winnipeg.

Mr. J. D. Reid, C.A., formerly associated with Henderson, Reid and Company, has opened an office at 1001 McArthur Building, Winnipeg.

Messrs. Arthur A. Crawley and Company, Ottawa, announce that they have admitted to partnership the following members of their staff who have been associated with them for some time: Mr. A. M. Milne, C.A., Mr. W. S. Pirie, C.A. The business will be continued under the firm name of Crawley, Milne and Company, with offices at 50 Albert St.

Chartered Accountant (young), residing in the Northwest, desires position in the East. Seeks lower altitude on account of wife's health. Box B. Canadian Chartered Accountant, Toronto.



THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF ONTARIO

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(Incorporated 1883.)

R. J. Dilworth, President.

T. Watson Sime, Secretary.

W. J. Valleau, Registrar.

At a special general meeting of the members of the Institute, held in the Institute rooms on March 3rd last, the by-laws, as revised by the Council, were duly considered and confirmed. The principal changes are the authorization of the appointment of a Board of Instruction, elected yearly, who are charged with the establishing of courses of instruction for Chartered Accountant students. The first Board appointed are Messrs. George Edwards, T. Watson Sime, Rutherford Williamson and W. S. Ferguson.

The requirement that all students intending to take the Institute Examinations must register as students-in-accounts and pursue the course of study prescribed for them by the Board of Instruction.

The change in time of holding examinations.

The fiscal year to end April 30th instead of June 30th, which will permit the holding of the annual general meeting in May or June, as desired.

The increase of members' annual dues from \$15 to \$20 net for resident and practising members, and from \$5 to \$10 net for non-resident, non-practising members.

In deference to the convenience of the students-in-accounts, who, by a vote of 159 to 44, have declared in favor of Fall Examinations, the Council has decided not to hold the usual examinations in May next, and has fixed the date of the next examinations to take place on Wednesday, Thursday and Friday, the 7th, 8th and 9th of December, 1921.

Applications for examination already accepted will be considered in effect for the December Examinations, unless otherwise advised.

All applications must be in the hands of the Registrar not later than the first of November preceding the examination.

Examination fees are payable on or before the 15th of November.

The courses of instruction being established by the Institute for the students will be at the option of the student for this year's examinations, but students desiring to apply for examination in 1922 and



thereafter will require to register therefor during the month of January in each year, and be subject, in their studies, to the direction of the Board of Instruction.

Further particulars regarding the courses of instruction will be announced later.

Mr. Eustace T. Gregory, C.A., Windsor, Ont., was admitted to membership, February 8th last.

It is with much regret we have to announce the death of Edwin James Leishman on February 3rd and Robert Frank Spence on February 7th last, both much-esteemed members of the Institute.



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THE ASSOCIATION OF ACCOUNTANTS  
IN MONTREAL

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(Incorporated 1880.)

James Hutchison, President

Robert Wilson, Jr., Secretary.

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The annual meeting of this Association took place on the 12th day of October last in the council room of the Board of Trade, Montreal, and was attended by a fair number of members. The President of the Association, Mr. Hutchison, submitted the report of Council.

**Examinations.**—One Final and one Intermediate Examination were held. For the Final there were eleven candidates, two of whom passed in all subjects, one in practical subjects only, and five in theoretical subjects only. For the Intermediate there were fifty-three candidates, of whom thirty-four succeeded in passing in all subjects. The winners of the War Memorial prizes were F. Gordon Blackstone in the Final and H. C. Hoyes in the Intermediate.

**Membership.**—The Association now has ninety-three members, eight of whom were admitted during the year.

**Revision of By-laws.**—A sub-committee of Council has this matter in hand, and is working in conjunction with the Committee of the D.A.C.A. on "Uniformity of Standards."

**Elections.**—The election of Council and officers for the ensuing year resulted in the retiring Council being re-elected as follows: President, James Hutchison; First Vice-President, J. A. Grant; Second Vice-President, A. B. Brodie; Secretary-treasurer, Robert Wilson, Jr. Council—A. Cross, David S. Kerr, J. A. Larue, F. W. Sharp.



INSTITUTE OF CHARTERED ACCOUNTANTS  
OF MANITOBA

(Incorporated 1886.)

F. C. Gilbert, President.

W. J. Spence, Secretary.

Mr. William Gray, C.A., late of the firm of F. C. S. Turner & Co., has opened practice at 1107 McArthur Building, Winnipeg. Mr. J. D. Reid, C.A., formerly of Henderson, Reid & Co., has an office at the same address.

Mr. W. R. Jex, C.A., has taken into partnership Messrs. C. P. Mackintosh, C.A., and D. A. B. Murray, C.A. The new firm has offices at 307 McIntyre Block, Winnipeg.

Messrs. J. C. Millar, C.A., and W. J. Macdonald, C.A., have entered into partnership and opened an office in the Home Bank Building, 428 Main Street, Winnipeg.

Mr. H. M. Cherry, C.A., lately Auditor-General of the Overseas Military Forces of Canada, has removed to British Columbia, where he will resume his practice.

The Chartered Accountants' Students' Society of the Manitoba Institute has recently been reorganized, and is showing an active and progressive spirit under the guidance of the following officers: President, J. C. Millar, C.A.; Vice-President, R. I. Cawley; Secretary-treasurer, J. Morgan Davies. Executive Committee—W. Ross Grant, C.A., J. E. Dunbar, G. W. Dunn, W. W. McDonald, B.A., and C. E. McCartney.

Membership in this Society is now obligatory on all registered students of the Institute, besides being open to Institute members and members of the Dominion Association generally. It will undertake to promote social and athletic activities among the students, besides supplementing the regular educational facilities by arranging special lectures, debates, etc.

The Manitoba Institute has decided to co-operate with the other Canadian Institutes, under the guidance of the Dominion Association of Chartered Accountants, in the preparation and circulation of a new Canadian correspondence course of instruction for students in Accountancy as a corrective to the present tendency to subscribe for and study various correspondence courses prepared by private organi-

zations for commercial purposes, and as a practical means towards the establishment and maintenance of a greater measure of uniformity in education standards throughout Canada. Students have been advised by circular that such an official course of instruction will be available not later than June of the present year, and will be offered to registered students only and at a fee not greater certainly than that now charged by the promoters of commercially or privately conducted courses, and profits that may accrue will be refunded *pro rata* to the students who enroll. They are advised not to commit themselves financially to any extended course of instruction under other auspices until they have had an opportunity, at least, of judging of the advantages, financial and otherwise, of this official course.



## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SASKATCHEWAN

(Incorporated 1908.)

B. R. Masecar, President.

Thomas Lax, Secretary.

The new Tariff of Fees, as approved by the Council, is as under:—

### APPROVED TARIFF OF FEES

(Adopted by the Council of the Institute, September 4th, 1920.)

#### Principals—

For auditing the books and accounts or investigating the affairs of firms, corporations and private individuals, including the preparation of accounts and reporting thereon, and work of a similar nature:—

Per day of seven hours..... \$25.00

When work covers less than one day, to be charged for at the rate of \$4 per hour, with a minimum charge of \$5.

(Services of assistants and clerks to be charged extra in all cases.)

#### For Consultations—

Time occupying one hour or less ..... 5.00

Each additional hour or part of hour..... 5.00



For services as arbitrator, expert or practitioner appointed by Court, or by consent of parties interested, preparing statements or briefs for counsel, and attendance at trial, and for all other services:—	
Time occupying one hour or less .....	5.00
Per day of seven hours.....	30.00
<b>For Chartered Accountant Assistants—</b>	
Per day of seven hours.....	21.00
<b>For Senior Assistants—</b>	
Per day of seven hours.....	14.00
<b>For Junior Assistants—</b>	
Per day of seven hours.....	7.00

Travelling and hotel expenses to be charged extra on all work done elsewhere than where accountant is practising, and in such cases, time going and returning, not exceeding seven hours per day, to be charged.

Certain changes have been made to the by-laws by the Council during the current year, the more important of which is a new by-law dealing with branch offices as under:—

#### Branch Offices (New)

Section (1)—“Any office within the Province of Saskatchewan purporting to be the branch office of a Chartered Accountant or firm of Chartered Accountants shall be in the direct charge of a member of this Institute who is resident in the place where such office is situate.”

Two new members have been admitted to the Institute since the last report. Henry T. Ross, of Regina, qualified by successfully writing on a supplemental in Economics, and George N. Ross, of Saskatoon, a member of the Society of Accountants in Aberdeen, by affiliation.

No less than three of our members, namely, F. W. Ferguson, of Regina; G. W. Coles, of Saskatoon, and G. E. Baskie, of Medicine Hat, have joined the staff of Scovell, Wellington & Co., of Boston, Mass., during the last few months.

Mr. L. Giles, of Moose Jaw, has taken charge of the Moose Jaw office of Messrs. Marwick, Mitchell & Co.

# Dominion Association of Chartered Accountants



## OFFICERS 1920-1921

### PRESIDENT :

GEORGE E. WINTER .. .. . Vancouver, B.C.

### VICE-PRESIDENT :

H. D. CREIGHTON .. .. . Halifax, N.S.

### SECRETARY-TREASURER :

J. B. WOODTHORPE, .. 303 Winch Building, Vancouver, B.C.

## COUNCIL

### REPRESENTATIVE

### ELECTED BY

J. A. GRANT, Montreal, Que. ..	}	The Association of Accountants in Montreal.
JAMES HUTCHISON, Montreal, Que. ..		
ARTHUR C. NEFF, Toronto, Ont. ..	}	The Institute of Chartered Accountants of Ontario.
BRYAN PONTIFEX, Toronto, Ont. ..		
OSLER WADE, Toronto, Ont. ..		
B. F. GRIGGS, Winnipeg, Man. ..	}	The Institute of Chartered Accountants of Manitoba.
F. C. GILBERT, Winnipeg, Man. ..		
G. W. DIXON, Halifax, N.S. ..	}	The Institute of Chartered Accountants of Nova Scotia.
GEORGE E. WINTER, Vancouver, B.C. }		
GORDON TANSLEY, Montreal, Que. ... }	}	The Institute of Chartered Accountants of British Columbia.
G. C. ROOKE, Regina, Sask. .		
B. R. MASECAR, Saskatoon, Sask. ..	}	The Institute of Chartered Accountants of Saskatchewan.
J. B. SUTHERLAND, Calgary, Alta. ..		
W. H. A. THOMPSON, Calgary, Alta. }	}	The Institute of Chartered Accountants of Alberta.
W. A. LOUDOUN, Fredericton, N.B. ..		
	}	The Institute of Chartered Accountants of New Brunswick.

OFFICIAL LIST MEMBERS DOMINION ASSOCIATION OF  
CHARTERED ACCOUNTANTS

NOTE.—This list does not contain the names of those members of a Provincial Society non-resident in Canada, By-Law No. 1 of the Dominion Association of Chartered Accountants providing "the membership shall be *ipso facto* the members in good standing resident in Canada," etc.

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The Association of Accountants in Montreal

- APEDAILE, J. L., c/o Price Bros., Quebec.  
BAKER, C. W., 232 St. James Street, Montreal.  
BAKER, E. M., 117 Church Street, Windsor, Ontario.  
BALLANTYNE, A., 277 Beaver Hall Hill, Montreal.  
BENNETT, E. J., 1528 Bank of Hamilton Building, Toronto.  
BIRNIE, J. G., 232 St. James Street, Montreal.  
BLACKSTONE, F. GORDON, 1008 Bank of Nova Scotia Building, Montreal.  
BRIMACOMBE, L., 180 St. James Street, Montreal.  
BRODIE, A. B., 608 Dominion Express Building, Montreal.  
BURDEN, G. S., 80 St. Francois Xavier Street, Montreal.  
CAMPBELL, S. R., 142 Notre Dame street West, Montreal.  
CINQ MARS, A., 50 Notre Dame Street West, Montreal.  
CLAGUE, J. A., Sun Life Assurance Company, Montreal.  
CLAPPERTON, H. D., 80 St. Francois Xavier Street, Montreal.  
COLE, A. W., 157 St. James Street, Montreal.  
COLE, ERNEST C., 37 Belmont Street, Montreal.  
CROSS, A., 142 Notre Dame Street West, Montreal.  
CURRIE, G. S., 179 St. James Street, Montreal.  
CUSHING, L., 80 St. Francois Xavier Street, Montreal.  
DAVENPORT, GEO., Room 200, 103 St. Francois Xavier St., Montreal.  
DOWIE, L. A., 10 Adelaide Street East, Toronto.  
DURNFORD, GEO., 189 St. James Street, Montreal.  
FERRIE, R., 802 Royal Bank Building, Toronto.  
FISK, A. K., 703-4 Bank of Nova Scotia Building, Montreal.  
GAGNON, P. A., 316 Quebec Bank Building, Montreal.  
GOWAN, A. A., 17 St. John Street, Montreal.  
GRANT, J. A., 142 Notre Dame Street West, Montreal.  
HAINS, JOHN MCD., 412 Coristine Building, Montreal.  
HILL, M. S. T., 235 Board of Trade Building, Montreal.  
HODGSON, C. A., 80 St. Francois Xavier Street, Montreal.  
HODGSON, G. W., 511 Power Building, 83 Craig Street West, Montreal.  
HOPE, A. E. M., 263 St. James Street, Montreal.  
HUNTER, GEO. JR., 80 St. Francois Xavier Street, Montreal.  
HUTCHISON, JAS., 80 St. Francois Xavier Street, Montreal.  
HYDE, JOHN, 18 St. Alexis Street, Montreal.  
JONES, G. MCCARTHY, 637 Union Avenue, Montreal.  
JONES, W. S., 137 McGill Street, Montreal.



OFFICIAL LIST OF MEMBERS

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KERR, DAVID S., 232 St. James Street, Montreal.  
KING, HAROLD, 591 St. Catharines Street West, Montreal.  
KINGAN, G. B., 120 St. James Street, Montreal.  
KENT, L., 180 St. James Street, Montreal.  
L'HEUREUX, J. A., 296 St. Paul Street West, Montreal.  
LABELLE, J. Z., Ste Thérèse de Blainville, Que.  
LARUE, J. A., 126 Rue St. Pierre, Quebec.  
MACINTOSH, P., 157 St. James Street, Montreal.  
MCDONALD, G. C., 179 St. James Street, Montreal.  
MCNAB, J. C., 604 McGill Building, Montreal.  
MIDGLEY, H. E., 103 St. Francois Xavier Street, Montreal.  
MILLAR, ROBERT, 71A St. James Street, Montreal.  
MITCHELL, A. F., 69 St. Francois Xavier Street, Montreal.  
MUNDELL, W. J., 27 Alloway Avenue, Winnipeg, Man.  
MURRAY, JR., J. R., 241 Clarke Ave., Westmount, Que.  
PARENTEAU, L. C., 103 St. Francois Xavier Street, Montreal.  
PATERSON, C. A., 157 St. James Street, Montreal.  
PATERSON, JOHN, 80 St. Francois Xavier Street, Montreal.  
PAYNE, GORDON S., 232 St. James Street, Montreal.  
PECKHAM, S. BRITAIN, 142 Notre Dame Street West, Montreal.  
PEEL, EDWIN, 1001 Wilder Building, Montreal.  
PIPER, H. S. T., 13 Vendome Avenue, Montreal.  
PLIMSOLL, A. H., 210 Milton Street, Montreal.  
PROBYN, PERCIVAL, 145 St. James Street, Montreal.  
RATHIE, W. W., 120 St. James Street, Montreal.  
RIDDELL, A. F., 80 St. Francois Xavier Street, Montreal.  
RITCHIE, C. F., 211 McGill Street, Montreal.  
ROBERTSON, A. S., 128 Bleury Street, Montreal.  
ROBERTSON, D. B., 157 St. James Street, Montreal.  
ROSS, ALEX. F. C., 142 Notre Dame Street West, Montreal.  
ROSS, J. G., 142 Notre Dame Street West, Montreal.  
ROSS, JOHN W., 142 Notre Dame Street West, Montreal.  
ROSS, R. C., 80 St. Francois Xavier Street, Montreal.  
SCOTT, GORDON W., 142 Notre Dame Street West, Montreal.  
SHARP, F. W., 501 Power Building, Montreal.  
SKELTON, C. HAROLD, 703-4 Bank of Nova Scotia Building, Montreal.  
SMIBERT, ALFRED, 80 St. Francois Xavier Street, Montreal.  
SMITH, H. MEREDITH, 180 St. James Street, Montreal.  
STEAD, A. C., 80 St. Francois Xavier Street Montreal.  
STEVENSON, A. W., 802 Bank of Nova Scotia Building, Montreal.  
STEVENSON, REGINALD C., 703 Bank of Nova Scotia Building, Montreal.  
TANSLEY, GORDON W., 205 St. James Street, Montreal.  
THOMSON, W. GARTH., 277 Beaver Hall Hill, Montreal.  
TRUDEL, EUGENE, 126 St. Peter Street, Quebec, Que.

TURNBULL, F. MARTIN, 501 Power Building, Montreal.  
TURVILLE, FRANK P., 17 St. John Street, Montreal.  
WEBB, HERBERT J., 83 Power Building, Montreal.  
WILSON, ROBT., Board of Trade Building, Montreal.  
WILSON, W. S., 83 Bank of Ottawa Building, Montreal.  
WURTELE, E. F., 369 Univerity Street, Montreal.

**The Institute of Chartered Accountants of Ontario**

ADAMS, A. W., 36 Toronto Street, Toronto.  
ALLEN LOFTUS A., 408 Manning Chambers, Toronto.  
ANDERSON, J. DONALD, 303 Board of Trade Building, Montreal.  
ANDREWS, W. S., 4 Beaumont Road, Toronto.  
ARCHER, L. W., 4 Coulson Avenue, Toronto.  
ARNOLD, ARTHUR, 97½ Blantyre Avenue, Toronto.  
ATKINSON, J. L., Room 21, 10 Adelaide St. East, Toronto.  
BALDWIN, H. W., 64 Charles Street East, Toronto.  
BARBER, HENRY, 6 King Street West, Toronto.  
BATES, H. S., 193 Sparks Street, Ottawa.  
BAXTER, P. C., 26 Queen Street East, Toronto.  
BEGG, G. M., 18 Oriole Gardens, Toronto.  
BENSON, WM. C., 426 Talbot Street, London, Ont.  
BERNER, WALTER G., 708 Continental Life Building, Toronto.  
BLANCHARD, A., 93 Worthington Street West, North Bay.  
BLATCH, G. L., 193 Sparks Street, Ottawa.  
BOUNSALL, R. H., 193 Sparks Street, Ottawa.  
BROWN, J. ALBERT, Athelma Apartments, Toronto.  
BUNNELL, A. K., City Hall, Brantford.  
BURNS, R. E., Ontario Chambers, Kingston.  
CALDER, A. G., 58 Bank of Toronto Chambers, London, Ont.  
CAMPBELL, G. D., 59 Yonge Street, Toronto.  
CAMPBELL, W. K. COLIN, 59 Yonge Street, Toronto.  
CARSWELL, WM., 121 Shearer Street, Montreal.  
CHAMBERLAIN, A. F., 74 Nepean Street, Ottawa.  
CLARK, T. S., Cobalt, Ont.  
CLARKE, J., 58 Wellington Street East, Toronto.  
CLARKE, J. J., Room 5, 25 Toronto Street, Toronto, Ont.  
CLARKSON, E. R. C., 15 Wellington Street West, Toronto.  
CLARKSON, G. T., 15 Wellington Street West, Toronto.  
COOPER, R. J., 43 Heath Street East, Toronto.  
CRAIG, W. H., 109 Gore Street, Kingston.  
CRAWFORD, J. E., 109 Cuthertson Block, Fort William.  
CRAWLEY, A. A., 50 Albert Street, Ottawa.  
CRINGAN, J. W., 633 Church Street, Toronto.  
CULLEN, H. AUSTIN, 120 Dowling Avenue, Toronto.  
CUNNINGHAM, G. DE H., 165 Spark Street, Ottawa.  
CUNNINGHAM, J. F., 165 Spark Street, Ottawa.

OFFICIAL LIST OF MEMBERS

---

DAWSON, P. H. B., Union Bank Chambers, Fort William.  
DILWORTH, R. J., 15 Wellington Street West, Toronto.  
DOGGERELL, A. J., 776 Wellington Street, London.  
DRAPER, GORDON V., 402 Royal Bank Building, Toronto.  
DUNLOP, W. M., 193 Sparks Street, Ottawa.  
EDDIS, C. S., Continental Life Building, Toronto.  
EDDIS, J. W., Continental Life Building, Toronto.  
EDWARDS, A. GEOFFREY, 10 Adelaide Street East, Toronto.  
EDWARDS, GEO., 10 Adelaide Street East, Toronto.  
EDWARDS, H. PERCY, 10 Adelaide Street East, Toronto.  
EDWARDS, JOHN M., 10 Adelaide Street East, Toronto.  
EDWARDS, OSWALD N., 604 McGill Building, Montreal.  
FALLS, A. F., Victoria Block, Chatham, Ont.  
FARISH, D. H. M., 121 Shearer Street, Montreal.  
FENTON, WILSON, 17-31 King Street East, Toronto.  
FERGUSON, W. S., 52 Tranby Avenue, Toronto.  
FISHER, A. M., Montreal.  
FITZGERALD, A. S., 22 Huron and Erie Building, Windsor, Ont.  
FLEMING, C. A., 823 Second Avenue, Owen Sound.  
GAWTHORP, H. H., 9 Fernwood Park Avenue, Toronto.  
GEGGIE, THOMAS P., 116 Dowling Avenue, Toronto.  
GEORGE, JAMES, 921 Bank of Hamilton Building, Toronto.  
GERRY, NELSON B., 14 Indian Road, Toronto.  
GIBBS, FRANK P., McLagan Furniture Company, Stratford.  
GLATT, GEO. F., 24 King Street West, Toronto.  
GODFREY, THOS. D., 640 Huron Street, Toronto.  
GODSON, W. P., 30 Leopold Street, Toronto.  
GOLDMAN, L., 112 King Street West, Toronto.  
GOODMAN, M., Room 34, 14 St. John Street, Montreal.  
GORDON, H. D. L., 15 Wellington Street West, Toronto.  
GRANT, RUSSELL R., 302 Avenue Road, Toronto.  
GREGORY, E. T., P.O. Box 206 Windsor, Ont.  
GUILFOYLE, HARVEY E., 15 Wellington Street West, Toronto.  
GUNN, EDMOND, 25 Toronto Street, Toronto.  
HAMMILL, LANSDALE, 1603 Royal Bank Building, Toronto.  
HAMPTON, JAS. H., 47 Adelaide Street East, Toronto.  
HARBINSON, V. D., 408 Manning Chambers, Toronto.  
HARDY, JAMES, 15½ Toronto Street, Toronto.  
HAYWOOD, L. J., 48 Canada Life Building, Toronto.  
HIGGINS, F. P., 47 Adelaide Street East, Toronto.  
HILBORN, MELVIN, 1026 Bank of Hamilton Building, Toronto.  
HILLMAN, H. P. L., 648 Ontario Street, Toronto.  
HILL, T. PERCY, 145 St. James Street, Montreal.  
HOUSTON, WM. F., 58 Wellington Street East, Toronto.  
HOWSON, E. J., 1026 Bank of Hamilton Building, Toronto.  
HUDSON, O. M., 32 Church Street, Toronto.



- HUGHES, JOHN, Hudsons Bay Company, Winnipeg.  
 HURST, FRED. C., 25 Toronto Street, Toronto.  
 JACKSON, J. A., 150 Carling Avenue, Ottawa.  
 JAMIESON, H. T., 1401 Royal Bank Building, Toronto.  
 JENKINS, THOS., 15½ Toronto Street, Toronto.  
 JEPHCOTT, A., 469 King Street West, Toronto.  
 JEWELL, F. G., 314 Dominion Savings Building, London.  
 JOHNSON, R. W., Southern Loan Chambers, St. Thomas.  
 JOHNSTON, R. L., 271 Richmond Street West, Toronto.  
 KERNAHAN, W. T., 17 Gould Street, Toronto.  
 KERR, FRANK L., 15 Wellington Street West, Toronto.  
 KETTLEWELL, W. C., 105 Davenport Road, Toronto.  
 KIDD, F. H., 5-6 Merchants Bank Building, Nanaimo, B.C.  
 KITTSOON, H. N., 25 Main Street West, Hamilton.  
 LANG, J. N., 86 Adelaide Street East, Toronto.  
 LANGLEY, J. P., McKinnon Building, Toronto.  
 LARMONTH, E. A., 46 Elgin Street, Ottawa.  
 LAWLESS, THOS. E., 304 Crown Life Building, Toronto.  
 LAWSON, A. T., Canadian National Railways, Toronto.  
 LEVACK, W. P., 99 Northcliffe Avenue, Toronto.  
 LORD, H. L., St. Blaise, Que.  
 LORIMER, W. A., C. 3—18 Elm Grove Avenue Toronto.  
 MACDONALD, D. B., 32 Church Street, Toronto.  
 MACKAY, JOHN, 70 Centre Avenue, Toronto.  
 MACNAMARA, THEO. T., 10 Adelaide Street East, Toronto.  
 MAPP, J. VICTOR, 14 King Street East, Toronto.  
 MAPP, KRIS A., 14 King Street East, Toronto.  
 MARTIN, J. S., 67 Lowther Avenue, Toronto.  
 MARTIN, N. L., 73 King Street West, Toronto.  
 MERSON, G. O., 807 Lumsden Building, Toronto.  
 METHERELL, W. C., 21 Sun Life Building, Hamilton, Ont.  
 MILNE, A. M., 50 Albert Street, Ottawa.  
 MORGAN, W. P., 10 Adelaide Street East, Toronto.  
 MORPHY, ARNOLD, 50 Maitland Street, Toronto.  
 MORRISON, G. W., 70 Wellington Street West, Toronto.  
 MORRISON, S. A., 36 King Street East, Toronto.  
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